Austria Sch.22	Indonesia ... Rp 3100	Portugal ..... Esc 100
Bahrain Din.0.650	Israel .... NS 3.50	S.Arabia ..... Rls 6.00
Belgium ...... BFr 48	Italy .... L 1600	Singapore ... S$ 4.10
Canada .... C$1.00	Japan Y600	Spain .... Pta 125
Cyprus .... C£0.75	Jordan Fils.500	Sri Lanka .... Rup 30
Denmark ... DKr.9.00	Kuwait Fils.500	Sweden ..... SKr 8.00
Egypt .... E£2.25	Lebanon .... SL 50.00	Switzerland. SFr2.20
Finland Fmk.7.00	Luxembourg . LFr.48	Taiwan .... NT $85
France FFr.6.50	Malaysia .... Rm 4.25	Thailand ...... Bht 50
Germany DM2.20	Mexico Pes.300	Tunisia ..... Din 0.800
Greece .... Dr 100	Morocco ..... Dh 6.00	Turkey L500
Hong Kong.... HK$12	Netherlands.. Fl 3.00	U.A.E. .... Dh 6.50
India .... Rup 15	Norway Nkr.7.00	U.S.A $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,277 — Monday July 6 1987 — D 8523 A

Pakistan: General Zia sidesteps blame for budget, Page 16

World News

Seoul riot provoked by death of student

Police in Seoul broke up the first student demonstration to be held in South Korea since President Chun Doo Hwan announced democratic reforms last week.

The authorities also sealed off a hospital where a student who had been hit by a tear gas canister in a June demonstration had been kept alive by a respirator for almost a month.

The student's death provoked yesterday's demonstration by 2,000 of his fellow students, who were forced to retreat when police used tear gas.

Pakistan bombs

Seven people died and at least 50 were injured when three bombs exploded in Lahore on the 10th anniversary of the coup that brought President Zia ul-Haq to power.

Terry Waite claim

Terry Waite, the Archbishop of Canterbury's special envoy, who was kidnapped in Beirut, was claimed in a Kuwaiti newspaper to have died of a heart attack in captivity. Page 2.

Stockholm raid

Two masked gunmen raided a Stockholm high security barracks housing the regiment responsible for defending key government buildings and stole five machine guns and ammunition.

Sri Lankan kidnap

Tamil guerrillas kidnapped a politician in Sri Lanka's peninsula while he was on a visit to canvass support for forthcoming by-elections.

Ulster rioting

Ulster police in Portadown smashed barriers erected by protestant rioters on the first day of the marching season.

Minister ill

New Zealand Defence Minister and Deputy Foreign Minister Frank O'Flynn is in a critical condition after being rushed to hospital where he underwent emergency heart surgery.

Fatal jail fire

Four prisoners, two Italians, an Egyptian and a Tunisian, died in a fire in a cell at Milan's San Vittore prison.

Black murdered

A black was murdered in a petrol bomb attack on a house in the township of Guguletu near Cape Town.

Mubarak pay rise

Egyptian parliament approved a 100 per cent pay rise for President Hosni Mubarak to the equivalent of $17,000 at the official rate.

Hollywood talks

Hollywood film and television directors met producers in a last minute attempt to avoid a strike over pay.

Cash takes title

Pat Cash becamne the first Australian to win the Wimbledon men's singles title since 1971 when he beat Ivan Lendl 7-6, 6-2, 7-5.

Mansell victory

Britain's Nigel Mansell in a Williams won the French Grand Prix at Le Castellet, ahead of team-mate Nelson Piquet. World champion Alain Prost was third.

ANC talks claim

Talks in Dakar this week between the African National Congress and 50 white and coloured Afrikaners are an ANC plot to foster disunity among South African whites, the Johannesburg newspaper, The Citizen, claimed. Page 4

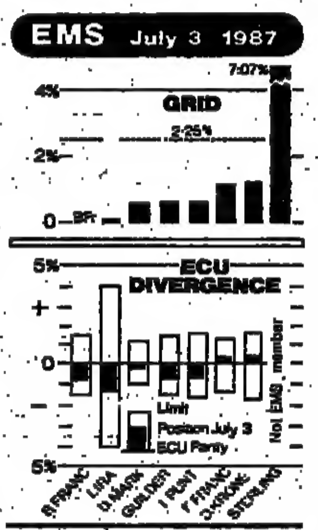
Business Summary

Siemens expects drop in earnings

TURNOVER at Siemens, the West German electronics group, rose by 12 per cent to DM 33bn ($18bn) in the first eight months of the current business year ending on September 30. However, earnings for the year as a whole will not reach last year's level, said Mr Karlheinz Kaske, the chief executive. Page 20

EUROPEAN Monetary System: The Danish krone was slightly weaker but remained the strongest member of the EMS last week. Trading was relatively subdued because the US dollar remained within its recent trading range for most of the time before edging firmer on Friday when trading was very thin because of the closure of US centres. Elsewhere the French central bank was sufficiently encouraged to announce a modest cut in short term intervention rates. The Belgian franc remained the weakest member but was virtually unchanged from the previous week at 38 per cent of its maximum divergence. On Friday the Belgian central bank announced a further small reduction in short term interest rates.

EMS July 3 1987



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO STOCKS: Share prices plunged for the second consecutive session on the Tokyo Stock Exchange on Saturday. Fuelled by the yen's depreciation and a bond market decline, the Nikkei index fell 306.96 points to 24,158.52. World stock markets, Page 31.

A. H. ROBINS, the US health care company operating under Chapter 11 of the US Bankruptcy Code, and Rorer Group, the US pharmaceutical manufacturer, have signed a letter of intent to pursue a definitive merger agreement before July 31. Page 17.

ONTARIO Securities Commission is investigating allegations of insider trading involving the improper transfer of information between institutional investors and traders at securities dealers. Page 17.

FRANCE'S Finance Ministry is seeking new ways of managing the wave of demand for shares in the country's newly privatised companies and of coping with the small and fragmented portfolios that the privatisation programme has created. Page 20

ELKEM and Kvaerner, two of the most prestigious names in Norwegian industry, have announced a cross-ownership pact aimed at bringing an end to a bitter corporate battle.

EURORATINGS, the recently formed European rating agency, has placed the short-term paper rating of Norsk Hydro, the Norwegian petroleum and fertiliser group, under review because of the recent troubles of Kongsberg, the state-controlled defence and industrial concern.

Reagan schools expert has lesson for UK

BY LIONEL BARBER IN WASHINGTON

MRS THATCHER today welcomes a distinguished American visitor. At 43, William J. Bennett is the youngest and most outspoken member of President Reagan's cabinet, a craggy-faced 220lb former college football player turned politics professor. He now serves as Secretary for Education.

In the two years since he was appointed, Mr Bennett has, in no particular order, endorsed merit pay for teachers, supported reduced federal aid for students, backed a constitutional amendment for prayer in schools and lobbied for a variety of tuition tax credits and vouchers for parents who send their children to private and public schools.

Such ideas have ensured Mr Bennett a favoured place on the conservative cocktail circuits in Washington - and perhaps an entree to Number 10, too.But beyond the ideological foray lies a deeper conviction likely to strike a chord with the former UK Education Secretary herself: that the education system, now regarded as the key to survival and prosperity, has long been neglected in the older Western democracies.

During his two-day trip to London, which is part of a wider two-week European tour, Mr Bennett is scheduled to meet not just the Prime Minister but also Mr Kenneth Baker, UK Education Secretary; Lord Young, UK Trade and Industry Secretary; and Professor Brian Griffiths, head of Mrs Thatcher's private policy unit at Downing Street.

Having scanned the Queen's Speech, Mr Bennett said he is well aware of the importance of education reform in the third term Thatcher Government. And he thinks he has a practical contribution to make. 'There is an obvious overlap (between the US and UK education systems).'

Mr Bennett has four main areas in mind: expansion of parental choice; higher standards among teachers and pupils; character and citizenship development; and federal education vouchers to encourage competition between public sector schools, not just on standards, but for the pupils themselves.

'We have to put an end to the mediaeval parish model', he says, referring to the notion that children at elementary and high school age should attend a nearby school and wait until university to exercise a wider geographical choice. 'I would like to see parents be able to select between 20 and 30 schools in their district which would change the balance of power and render schools more accountable'.

This consumer approach to education has much to commend to a Thatcher administration eager to break the grip of some of the more left-wing Labour controlled local education authorities. The exercise of "parent power" could be a potent catalyst for change.

Mr Bennett says he would like to foster parental choice in public sector schools (88 per cent of all US schools), through the expansion of the federal voucher scheme. Many of the original voucher schemes were creations of President Johnson's "great society" in the 1960s. The US Government, alarmed at the high illiteracy and drop-out rate among the poor, especially blacks and ethnic minorities, offered federal aid to stop the rot. Twenty years and billions of dollars later, Mr Bennett has turned the liberals' programmes to his own and the Reagan Administration's end. By arguing that the extension of choice is more important than the provision of money per se, he has achieved an important shift in debate.

He has used the Department of Education - founded by a Democratic President, Jimmy Carter, as a redemption of a campaign promise - as a bully

Continued on Page 16

Mr William J. Bennett

Saudi oil industry set for major shake-up under new minister

BY ANDREW GOWERS IN RIYADH

MR HISHAM NAZER, the recently appointed Saudi oil minister,has initiated a top management shake-up at Petromin, the national refining company, amid intense speculation about a possible radical restructuring of the entire Saudi oil industry.

The changes follow the abrupt dismissal late last year of Sheikh Ahmed Zaki Yamani, the Kingdom's long-serving oil minister, and of Dr Abdul Hadi Taher, governor of Petromin.

According to diplomats and industry observers in Riyadh, moves under consideration include possible modifications in Petromin's role and in its relationship with Aramco, the non-communist world's largest oil production concern. Aramco's assets are owned by the Saudi Government and run in conjunction with four major US oil companies: Exxon, Texaco, Mobil and Chevron.

In a report to the Saudi Government last month, Arthur D. Little, the US management consultancy firm, is believed to have suggested measures to streamline and cut the costs of Petromin's operations.

In the last 10 days, Mr Jamal Jawa, who had been Petromin's acting governor since the departure of Dr Taher, retired and was replaced by Mr Ali Ibrahim al-Rubaishi, a former deputy governor. However, his appointment is also said to be only on an interim basis, and speculation continues about the naming of a permanent successor to Dr Taher with a mandate to restructure the company later this year.

In addition, Mr Abdullah bin Abdul Aziz bin Sa'ad, Petromin's former finance director, was last week promoted to be deputy governor for executive affairs in what some observers interpret as a move to strengthen financial controls.

Many observers believe these moves may presage the most far-reaching changes in Petromin since it was established in 1962. The company, which was

Hisham Nazer

set up with a broad remit and currently refines and distributes petroleum products mainly to the domestic market, has run into widespread criticism for alleged inefficiency.

In particular, its management is said to have been excessively centralised in the hands of Dr Taher. Mr Nazer, who is also the Kingdom's planning minister, is known to want to introduce a more commercial spirit into its operations, and possibly even to privatise some of them.

Other speculation focuses on:

- The division of tasks between Petromin and Aramco, formally the Arabian American Oil Company, which has been involved in the industry since its very early days in the 1940s. Although founded as an exploration and production concern, Aramco has more recently been given the task of marketing the Kingdom's crude and undertakes other jobs which overlap with Petromin.

There has been some talk that Mr Nazer may be aiming at the creation of a single national Saudi oil company as was originally envisaged when the Government negotiated to take over Aramco's assets in the late 1970s. However, this is considered unlikely by most informed observers in the Kingdom.

- The relationship between Saudi Arabia and the four US oil majors, the so-called Aramco partners. This was never formalised when the Government finally took possession of Aramco's assets in 1980. The company, still registered in Delaware with shares owned by the four US corporations, now runs the Saudi oil concessions on a service basis in exchange for a fee.

There has been some friction between the Government and the companies during the last year over prices and sales. One suggestion is that the two sides may want to put this arrangement on a sounder legal footing, though this would be a highly complex enterprise.

- Possible foreign downstream investments by Saudi Arabia in such assets as oil refineries or petrol distribution networks. This is a policy which has been successfully carried out by the Kuwait Petroleum Corporation in recent years, and Mr Nazer has been dropping hints that he is interested in pursuing a similar line - notably during a visit to the US earlier this year.

It is thought that Mr Nazer may be trying to encourage Saudi private investors to make downstream investments. One such move has already been made, with the recent purchase by Attock Oil - a company owned by Mr Ghaith Pharaon, a prominent Saudi businessman - of Texas City Refinery, a medium-sized US operation.

There is, however, some doubt as to whether the Saudi authorities, which have been extremely cautious about foreign equity investments, will want to pursue such a policy on a large scale.

Although changes are clearly afoot, observers caution against expecting very swift movement. They do, however, anticipate reforms in Petromin becoming a good deal clearer by the end of the year.

US acting with Japan, Norway on export rules

By Stewart Fleming, US Editor, in Washington

THE US is working closely with government officials in both Japan and Norway to try to help both countries tighten up their export controls on high-technology equipment which could be militarily sensitive, according to a top Reagan Administration official responsible for the regulation of high-technology exports.

The initiative is a direct response to the furore which has erupted on Capitol Hill as a result of revelations that Toshiba Machine of Japan and Kongsverg Yaapenfabrik of Norway sold advanced numerically controlled machine tools to the Soviet Union. These were used to manufacture submarine propellers whose design significantly reduced the noise made by Soviet submarines, making them much harder to detect and, the US says, diminishing a strategic advantage which the US had in underwater security.

The disclosures have stirred a storm of anti-Japanese sentiment on Capitol Hill. The Senate last week approved an ammendment to the omnibus Trade Bill which could block Toshiba from exporting to the US for between two and five years. More worrying from the Reagan Administration's point of view is that the legislation significantly diminished the discretion of the President in deciding whether to apply sanctions against violations of export controls by foreign

Continued on Page 16

Mexico's ruling party faces direct challenge

BY DAVID GARDNER IN MEXICO CITY

MR CUAUHTEMOC Cardenas, leader of the dissident Democratic Current inside Mexico's ruling Institutional Revolutionary Party (PRI), has launched an open bid for the presidency, due to change hands next year.

Mr Cardenas' open defiance of a PRI leadership, which has twice tried to expel him this year, represents the most serious challenge to the 70-year-old regime since his father, the revered General Lazaro Cardenas, stepped down as president in 1940, leaving a split regime.

The Democratic Current is challenging President Miguel de la Madrid's right to hand pick his successor, who according to tradition will be announced in late September after an hermetic process of consultation among the vested interests that support the regime.

Three of Mr de la Madrid's ministers, Planning Minister Carlos Salinas, Energy Minister Alfredo del Mazo, and Interior Minister Manuel Bartlett, are jockeying to succeed him but by rigid convention cannot formally campaign, much less run up their own political colours.

Mr Cardenas, 52 and like his late father a former governor of the Pacific state of Michoacan, 'accepted' the nomination at a heavily symbolic ceremony on Friday evening at which he denounced 'small groups in and outside the country who are deciding for all of us.'

'Only the people in power can govern for the people,' he said to a crowd of cheering supporters packed into the gardens of his father's house in Mexico City.

In the strictest observance of PRI form, Mr Cardenas was nominated by representatives of each of the corporatist 'three sectors' - the workers, peasants, and so-called 'popular' sections into which the party is divided.

Mr Cardenas, who has insisted that his fight is inside the party, called on the leadership to open up a register of 'pre-candidates' from which an elected PRI congress would select its presidential contender. Party statutes require this, the left-wing nationalist former governor argued but warned that 'with or without a register' he would carry on the struggle.

In a speech larded with populism, he accused the present government of fomenting a 'speculative economy' which 'channels wealth abroad and concentrates riches in a few hands inside the country.' The Democratic Current has called for a moratorium on the $100bn foreign debt and for wage rises to restore purchasing power which has been cut in half under de la Madrid.

In what is being seen by some analysts as a new manifestation of government nervousness, Mr de la Madrid last week appeared publicly to have rehabilitated Mr Jesus Silva Herzog, the charismatic former Finance Minister he sacked a year ago amid PRI accusations of disloyalty. Mr Silva was unexpectedly invited to accompany the president on a provincial tour.

Changes at the top in Italian steel industry face challenge

BY JOHN WYLES IN ROME

PROFESSOR Romano Prodi's authority as chairman of IRI,the giant Italian state holding company, is being severely challenged by members of his executive committee who are refusing to endorse his proposed changes in the top management of the publicly owned steel industry.

After a bitter month-long struggle, Professor Prodi has succeeded in winning the backing of the other four members of the committee for his decision not to renew the contracts of Mr Lorenzo Roasio and Mr Sergio Magliola as president and managing director of Finsider, the steel holding company, which lost L980.4bn ($740m) last year.

But with the Finsider annual meeting due to be held tomorrow after several postponements, the IRI chairman is still at loggerheads with his colleagues over the nomination of the Finsider president.

After day-long discussions on Friday and contacts during the weekend, the committee were agreed that the next Finsider managing director should be Mr Giovanni Gambardella, who since 1983 has been managing director of Ansaldo, Italy's state-owned constructor of power stations.

But the committee has blocked Professor Prodi's first choice as president, Mr Roberto Poli, currently president of Telettra, Fiat's telecommunications subsidiary which is shortly to be merged with the state-owned Italtel.

It is also refusing to endorse a second Prodi nomination for Finsider president - that of Mr Egidio Egidi, for many years the top manager at Agip, the state petroleum company.

The key to the battle appears to be the Socialist Party's desire to curb both Professor Prodi's authority and to secure one of the Finsider posts for a manager sympathetic to the Socialist cause. Avanti, the party's newspaper, yesterday attacked Professor Prodi for pretending to be "above party" and called the candidacy of Mr Egidi, "archaeological".

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David Marsh talks to Helmut Schmidt, former West German Chancellor, Page 12

OVERSEAS NEWS

Paris and Bonn pledge to strengthen ties

FRENCH Prime Minister Jacques Chirac and West German Chancellor Helmut Kohl, marking the 25th anniversary of post-war reconciliation, pledged yesterday to further boost ties to avoid future European conflict, Reuter reports from Reims.

The two leaders met to commemorate a 1962 mass in Reims cathedral attended by General Charles de Gaulle and Chancellor Konrad Adenauer which symblised the end of decades of hostility.

"The Europe which we both desire rests largely on the close ties between France and Germany," said Mr Chirac after a solemn mass for peace in the 13th century cathedral.

"We both wish for the permanent reinforcement of the ties of determined brotherhood between us," he said.

The visit comes as memories of the brutality of the Nazi occupation of France have been rekindled by the trial of former Gestapo officer Mr Klaus Barbie, the so-called "butcher of Lyon".

But neither leader mentioned Mr Barbie, who was jailed for life for crimes against humanity – torturing or deporting hundreds of Jews and Resistance fighters during the 1941–44 occupation.

It was at Reims cathedral, where the kings of France were crowned for centuries, that De Gaulle and Adenauer sought to open a new era in Franco-German relations by kneeling down together at the same mass.

Mr Kohl said the Franco-German reconciliation had erased the prospect of the two countries ever fighting again.

"The young generation has a great opportunity – they will never know war between France and Germany and can live as free citizens in Europe," he said at a ceremony in the Reims town hall.

"We must continue on this path," he said.

Reims, damaged in both world wars, has great symbolic importance to the French people as it was here that Hitler's forces surrendered in May 1945.

The two leaders then flew by helicopter to the village of Colombey les Deux Eglises to visit the tomb of General de Gaulle.

Mr Kohl and Mr Chirac, greeted by cheering crowds waving French and German flags, paid a brief call on a pancake restaurant bearing a banner saying in German "step inside Chancellor and bring us luck."

De Gaulle's son, Admiral Philippe de Gaulle, accompanied the two heads of government during the visit.

Relations between Paris and Bonn are extremely close.

Denmark opposed to EC summit on security

DENMARK, which currently holds the European Community presidency, is against an EC summit meeting to discuss European security, Mr Uffe Elleman-Jensen, its Foreign Minister, said yesterday, Reuter reports.

The idea was originally suggested by Mr Jacques Delors, Commission president.

Mr Elleman-Jensen, speaking in a radio interview broadcast in Bonn, said the Community was struggling to grapple with pressing budget and farming problems.

"We in Denmark are of the view that the EC is not the corect forum for defence and security policy. Therefore we must turn down Mr Delors' proposal," he said.

Such matters should be left to Nato, the West European Union (WEU) and other bodies, he added.

Denmark took over the presidency of the 12-nation bloc this month.

● The European Parliament begins a new session today with its teeth sharpened by an updating of the European Community (EC) founding treaty and awaiting approval of a stop-gap budget package.

The 518-member assembly could plunge the Community into a summer of uncertainty by blocking a vital package hammered out by Community ministers last week.

Waite 'has died of heart attack'

By Nora Boustany in Beirut

A REPORT in a Kuwaiti newspaper yesterday that Mr Terry Waite, the Anglican church envoy, died of a heart in captivity several days ago, has mystified observers in Beirut concerned about the fate of foreign hostages in the absence of hard evidence.

The validity of such reports and "responsibility claims" slipped under the doors of news agency offices remain as elusive as the information they provide.

Al Anbaa, a Kuwaiti daily newspaper, published a vaguely sourced item saying the 47-year old emissary of the Archbishop of Canterbury "died of natural causes" in the Syrian-controlled Bekaa Valley after a heart attack. The publication quoted a "well-trusted source close to political parties" for its disclosure.

Al Anbaa's Beirut correspondent said his source had learned of Mr Waite's death by chance and explained that he had no real proof with

Mr Terry Waite: fears for safety

which to substantiate it nor did he feel a commitment to do so. Usually well-informed Shiite security officials, well-versed in hostage affairs in Lebanon, expressed scepticism that Al Anbaa's announcement was true.

● The Church of England said the report that Mr Waite had died in Lebanon was distressing and possibly another unreliable story. A spokesman for Lambeth Palace said there was no way to confirm the accuracy of the Kuwaiti report.

George Graham assesses the trial in Lyons for crimes against humanity

France condemns a spectre

FRANCE WOKE in satisfaction and relief at the weekend to discover that Mr Klaus Barbie, the former Nazi officer, had been condemned to life imprisonment for 17 crimes against humanity.

Nine jurors and three judges answered yes to each of 340 questions of fact put to them at the end of the trial. Only the last question, whether there were any extenuating circumstances, received the answer no.

Skirting close to the Scylla of laying every crime committed under Hitler on Mr Barbie's head, the trial avoided the Charybdis of making his actions seem banal—turning them from crimes against humanity, which no statute of limitations in French law, can wipe out, into war crimes.

For many French citizens, the two-month trial has reopened the history of the German occupation, especially for those too young to remember the war years, and has transformed the public image of Mr Barbie, who headed the Gestapo secret police in the city of Lyons.

Known before principally because of the death in his hands of Jean Moulin, the French Resistance leader and national hero captured at Caluire in the Lyons suburbs in 1943, Mr Barbie now will go down in popular memory more as the organiser of the raid on the Jewish refuge at Izieu, which sent 44 children to their deaths in the concentration camps.

This shift in focus — coupled with the overwhelming testimony of the victims of Mr Barbie's torture, such as Mrs Lise Lesevre or Mrs Simone Lagrange — has buried the squabbles which divided the Nazi officer's accusers, unable to agree among themselves whether the genocide of Jews and gypsies should be set apart from the persecution of Hitler's opponents as a crime unique in its inhumanity.

The trial itself has at times seemed remote, a secret rite which will not be unveiled for 50 years, when the film of the proceedings will be released.

Yet the event has spread outside the courtroom, with the screening on television of Shoah, the 9½-hour documentary about the holocaust, and the insertion to France's school history curriculum of lessons on the persecution of the Jews by the collaborationist Vichy government in France.

There has been also a substantial reassessment by leading French historians, such as Mr Fred Kupferman or Mr Marc Ferro, of the role of Marshal Philippe Petain, leader of the Vichy regime, and of Pierre Laval, his prime minister.

Klaus Barbie: Life imprisonment

There was never more than a whisper of doubt about the eventual verdict—French television reporters and newspapers have not hesitated to declare Mr Barbie guilty since long before the trial started—but there has been satisfaction that the forms of justice were preserved.

The sourest note came in the early hours of Saturday morning, just after the announcement of the verdict, when an angry crowd booed and jostled Mr Jacques Verges, the defence lawyer, who has become perhaps the most widely hated man in France.

The incident, deplored by Mr Pierre Truche, the chief prosecutor in the trial, lent some weight to Mr Verge's claim that the whole trial has been closer to a lynch mob than a judicial process.

Mr Verges now plans to appeal against the verdict, and is also threatening to file suit for forgery, claiming that the telex which proved his client's responsibility for the raid on the Izieu children's home was fabricated by Mr Barbie's accusers.

The defence lawyer managed to sow doubt in the minds of many of his hearers on Friday when he pointed out differences between two copies of the telex, which had been used indiscriminately throughout the trial, but his argument was not accepted by the jury.

Even after these appeals, France has not heard the last of Mr Barbie. A second investigation has already begun into another batch of charges, including one brought by the widow of Mr Bruno Larat, who was secretary to Jean Moulin.

A new trial is expected to open a year hence, using the same special courtroom built for the trial just completed. Even if it throws some of the spotlight back on to Moulin, it seems unlikely to efface the memory of the 44 children of Izieu.

West German president begins Soviet visit today

BY DAVID MARSH IN BONN

MR RICHARD von Weizsaecker, the West German President, sets off today for a challenging week-long official visit to the Soviet Union, designed to promote better understanding in the problematic relationship between the two countries.

Although the President tries to keep above day-to-day politics, the visit will play an important part in attempting to reconcile West German and Soviet positions on the negotiations over removing medium-range nuclear missiles from Europe.

Further subjects likely to dominate the trip — only the second visit to the Soviet Union by a West German head of state since the Bolshevik revolution—are human rights and the economic reform policies of Mr Mikhail Gorbachev, the Soviet leader.

Mr von Weizsaecker, who will be accompanied by Mr Hans-Dietrich Genscher, Foreign Minister, says he sees his trip as "one link in a chain" to try to improve contacts between Bonn and Moscow. He is taking with him a squadron of leading West German economic, cultural and scientific figures, as well as a large number of journalists.

Media attention in West Germany will be intense. This reflects both Bonn's delicate position in the superpowers' disarmament talks and the continued detention in a Moscow jail of Mr Mathias Rust, the West German pilot who landed a light aircraft in Moscow in May. He faces trial over his infringement of Soviet air space so it is unlikely that Mr von Weizsaecker will be able to intercede for him.

The President is the focus of some sympathy in the Soviet Union, above all because of his speech, in May 1985, accepting Germany's guilt for the crimes of the Nazis.

The President will arrive as political links between the two countries remain overshadowed by the Second World War. This was underlined by the fury in Moscow last year after Chancellor Helmut Kohl's clumsy indirect comparison of Mr Gorbachev with Joseph Goebbels.

At a news briefing last week, Mr von Weiszaecker attempted to play down recent critical Soviet press comment, partly linked to the Rust incursion, as well as to the missile debate.

Pravda, the Communist Party newspaper, fiercely attacked Mr Kohl's "political blindness" over Soviet policies in an article last weekend. Other articles and official comments have condemned Bonn's insistence that West Germany maintain Pershing 1A missiles, tipped with US nuclear warheads, after the conclusion of the prospective US-Soviet medium-range missile deal.

Mr von Weizsaecker said that, during a time of *glasnost*, Soviet newspaper articles should not always be taken as indicating the state of Soviet official opinion.

One West German diplomat, however, commented last week that the attacks seemed to be part of efforts to "soften up" the West German leader. Moscow was trying to "humble" the West Germans before the president's visit.

He will visit Leningrad, and Novosibirsk in Siberia, as well as Moscow, where he will hold talks with Mr Gorbachev and President Andrei Gromyko.

He left open last week the possibility of meeting dissidents, such as Mr Andrei Sakharov.

Hungary unveils austerity measures

By Leslie Colitt in Berlin

THE Hungarian Communist Party under Mr Janos Kadar has unveiled a controversial two-stage programme of austerity measures and reforms designed to transform the ailing economy and to expand "socialist market conditions."

A four-year stabilisation programme is to "halt" and then reduce Hungary's rising net foreign debt. It is expected to reach \$8.5bn by the end of the year. A gaping budget deficit is to be eliminated while loss-making companies are to be deprived of subsidies. Temporary structural unemployment will result, the party acknowledged for the first time.

Mr Janos Barabas, assistant head of the party's information department, said the government would refuse to subsidise "uneconomic" production. It planned to reduce the number of administrators which would also lead to short-term unemployment in some regions and branches.

A communique issued at the weekend after a plenary session of the Central Committee said the population's consumption would have to be "restricted to provide the means to restructure industry. It noted that company independence is to be extended and the role of representative political bodies is to be "strengthened."

Eastern Europe's first Value added tax will be introduced—probably by next January along with personal income taxes for employees of state companies.

FINANCIAL TIMES

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OVERSEAS NEWS

'Toshiba Affair' raises areas of broad concern

Peter Bruce in Tokyo examines reaction to 'Toshiba Affair'

POCKETS OF loud merriment broke out in Tokyo's more pleasant suburbs on Saturday night as thousands of Americans living in the city celebrated Independence Day.

Normally, the Japanese like fireworks and the Fourth of July as well but the local appetite for celebrating US festivals has been dulled in the past two weeks by what has become known in government and industrial circles here as "The Cocom Affair" or "The Incident" but what everyone else who cares in the world is calling The Toshiba Affair.

Japanese were appalled last week to see television pictures of respectable US Congressmen smashing a Toshiba ghettoblaster with sledgehammers on the lawns of the White House.

This was soon followed by a Republican from Florida accusing Toshiba of "making it easier for Russians to kill Americans."

Revelations three months ago that a Toshiba subsidiary illegally sold machine tools to the Soviet Union that have since been used to build quieter submarines have stirred up an already dangerous, resentful, climate between Tokyo and Washington.

In trying to respond to this sudden escalation of temper in the US, Japanase newspaper and commentators have found refuge for a while in a mixture of regret and counter-threat.

"It cannot be denied that counter-measures (once the Soviet deal had become know) by the Japanese side were slow in coming," said the Mainichi Daily News yesterday, but "at the same time it is not desirable to let the US Congress act in whatever manner its feelings dictate and to have its 'Japan bashing' expand from the field of trade to security."

The respected Asahi Shimbun warned on Friday that "in connection with this continued 'Japan bashing' and the form it is taking (the Senate voted last week to bar Toshiba products from the US) we worry about the complex feelings that are growing in Japan."

Like many other newspapers, government officials and industrialists, it chided the two Toshiba men for resigning because "they have established the precedent of the parent company's assuming responsibility for the wrong doing of a subsidiary ... there is the question as to whether the characteristically Japanese thinking behind the resignations will be understood in the United States."

Although there is little doubt that Congressional anger about the machine tool sale is being seen here as largely a spillover of resentment about Japan's large trade surplus with the US, some people have begun to concede that, perhaps, the Japanese have underestimated the strength of feeling about security in America.

The Yomiuri Shimbun said yesterday that "the Japanese appear to have forgotten how much of a sacrifice the United States is making to provide security for its allies in the West. while Japan's defence expenditures come to $24bn the United states spends $330bn, more than 10 times as much. This graphically shows how much of a sacrifice each American citizen is making for national security."

Indeed, one of the great worries in government and industry now is that long-simmering Western prejudices about the Japanese may be about to erupt. "People might start thinking all Japanese businessmen are sneaky," says one senior foreign ministry official.

Perhaps because Japan is excluded from military alliances that would sharpen its appreciation of international security, the existence of Japanese businessmen who would deliberately give the Soviets the ability to be more efficient underwater should not surprise anybody.

LDP BREAKAWAY

Takeshita launches platform

BY PETER BRUCE IN TOKYO

MR NOBURU TAKESHITA, secretary-general of Japan's ruling Liberal Democratic Party, ended 15 years of party domination by the so-called Tanaka Faction this weekend by breaking away and taking 113 of the Tanaka group's 141 members with him.

Mr Takeshita has formed his own faction and plans to use it as a platform from which to launch his bid to replace Mr Yasuhiro Nakasone as party president and, hence, Prime Minister, in October.

The 63-year-old former Finance Minister led the break away after failing to persuade a rival in the Tanaka Faction, Mr Susumu Nikaido, to withdraw a premature bid for the party leadership. Mr Nikaido has criticised Mr Takeshita for being a ditherer and says he has the backing of former Prime Minister Kakuei Tanaka, after whom the faction is named.

Factions in the LDP revolve around personalities more than they do about policies. Mr Tanaka, disgraced because of his part in the Lockheed bribery scandal and now virtually bedridden because of a stroke, had Mr Takeshita turned away from the gates of his home earlier this year. The fact that Mr Nikaido, as Mr Tanaka's mouthpiece, could only hold on to 15 Diet members at the weekend is a withering comment on his (and his mentor's) remaining political clout.

The faction actually split into three — 13 neutrals thought more likely to vote for Takeshita in the presidential poll but too close to Mr Tanaka or Mr Nikaido to say so outright—have formed an independent group.

Mr Nikaido's chances are not good. Because there will be at least four candidates, party rules say he must be supported by 50 members from both houses of the Diet.

With his 133 supporters Mr Takeshita, on the other hand, is thought increasingly likely to seek an accommodation with the faction led by another presidential contender, Mr Shintaro Abe, a former Foreign Minister. The Abe faction has 85 members, which would bring a combination of the two just 25 votes short of a majority of the LDP's 445 MPs.

Speculation in Tokyo now is that Mr Takeshita and Mr Abe, who apparently get on well personally, might agree to share the Prime Ministership. They could get their remaining votes from one or more neutral factions not putting a member up for the party presidency.

That could include the 87-member Nakasone faction. Mr Nakasone cannot, under party rules, stand again but may be able to act as a "king-maker" and so devolve some power on to his faction after he steps down.

Noburu Takeshita: aiming to replace Nakasone

Mr Nakasone, however, makes little secret of the fact that he would like to go on being Prime Minister. His one hope is that the four candidates—including Mr Kiichi Miyazawa, the Finance Minister, who has yet to make a formal announcement—will be unable to negotiate a new leadership and that he would then be called on by the party to stay where he is.

S Korean demonstrations flare again after death of student

BY MAGGIE FORD IN SEOUL

SOUTH KOREA yesterday saw its first student demonstration since President Chun Doo Hwan announced democratic reforms last week.

The demonstration followed the death of a student who had been hit by a tear gas canister at the beginning of demonstrations last month.

Police sealed off the hospital where the student had been kept alive by a respirator for almost a month. About 2,000 of his fellow students, who attempted to march out of the adjacent university, were beaten back by police with tear gas.

Mr Kim Young Sam and Mr Kim dae Jung, the country's two main opposition leaders, visited the mortuary to offer condolences. Voicing their scepticism about the Government's good faith in announcing moves towards democracy, the two Kims said they could not begin negotiations with the ruling Democratic Justice Party until it had fulfilled its promise to release political detainees.

Mr Roh Tae Woo, leader of the DJP, who first made the radical democratic proposals last Monday, was attacked on Saturday by families of those in jail. After a meeting with Mr Roh, who failed to reassure the families, scuffles broke out at party headquarters.

Protesters also disrupted the final day of the trial of five policemen found guilty of torturing to death a student in January. Two senior officers were sentenced to 15 years imprisonment and three others to terms of between five and eight years. Family and friends of the victim shouted at the judge that the sentences were too lenient and threw furniture at the defendants.

The two Kims voiced scepticism about the moves towards democracy

The torture of the student has provoked two Cabinet reshuffles this year. The second followed revelations by a Catholic priest that the police investigation into the incident had been covered up. He has said he will reveal the full facts of the incident after the trial.

Newspaper editorials yesterday urged the public to show restraint over emotional issues so as not to put the democratic moves at risk, but also urged the authorities to advance quickly. The Government said it plans to start to release political detainees today, but arguments over the numbers are continuing.

Justice Department officials say they are looking at the cases of about 1,000 people, but opposition leaders claim about 3,000 are wrongfully imprisoned.

Mr Roh met Mr Kim Dae Jung for the first time on Saturday, at a US embassy celebration of Independence Day. The restoration of Mr Kim's civil rights was specifically mentioned in Mr Roh's speech, but not in the announcement later by President Chun.

Mr Kim is due to give his first public speech for seven years, at the Seoul Foreign Correspondents' Club tomorrow.

At their weekend meeting, the two Kims asked the Government to consider the idea of forming a neutral Cabinet, to include opposition, church, academic and other leaders to ensure the fairness of the presidential election this year, and to supervise the movement towards other democratic reforms.

Israelis defer final decision on Lavi

BY ANDREW WHITLEY IN JERUSALEM

THE Israeli Government, under intense pressure from the US to cancel the highly expensive Lavi combat aircraft, has, once again, deferred a final decision.

But the indications are that the ruling triumvirate—Prime Minister Yitzhak Shamir, Foreign Minister Shimon Peres and Defence Minister Yitzhak Rabin—are still determined to press on with the project, provided a way can be found round its budgetary difficulties.

A decision had been expected to emerge from yesterday's specially extended Cabinet meeting, the first after Mr Rabin's return from talks with top US officials in Washington.

But with the coalition government reported to be evenly divided across party lines, no consensus can be found.

It was the sixth Cabinet meeting in succession which had failed to break the deadlock. The next session is scheduled for next Sunday, but there was no great optimism yesterday that a compromise which can bridge the conflicting viewpoints can be found meanwhile.

While Mr Shamir and Mr Peres, the two party chiefs, are understood to favour persisting with the sophisticated aircraft—regarded by Israelis as a technological triumph of overriding national importance—Mr Rabin has said that the Lavi can only go into production if the ceiling on the defence budget is increased, or other sources of finance are found.

According to the usually reliable Army Radio, the Defence Minister told the Cabinet that the US had agreed to finance the cost of cancelling the Lavi — a critical consideration for the Israeli Government, with cancellation costs estimated at over $400m.

It was also said to be willing to raise the level of offshore procurement funds within the $1.8bn annual military grant from $300m to $400m, if the aircraft is scrapped.

This will help fund alternative military projects within Israel, such as the proposed construction of diesel submarines.

State-owned Israel Aircraft Industries, the Lavi's prime contractor, has urged a stretching of the production schedule, beyond the current 1993 date for the first aircraft to come into service, to ease the cash flow problem and keep the aircraft alive.

Peres and Mubarak likely to meet this week

BY ANDREW WHITLEY IN JERUSALEM

MR SHIMON PERES, the Israeli Foreign Minister and Labour Alignment leader, is expected to meet President Hosni Mubarak of Egypt in Geneva this week, in another effort to overcome final obstacles in the way of an international conference on the Middle East.

In the face of continuing opposition from Mr Yitzhak Shamir, the Israeli Prime Minister, the two leaders, who last met in Cairo in February, are making a joint effort to convene such a conference this year, before the scheduled elections next year in both Israel and the US.

"hWat worries me is that, if nothing happens this year, we shall have to wait for another two years before a similar opportunity presents itself," the Foreign Minister told the Financial Times last month.

Mr Peres is also seeking Mr Mubarak's endorsement of an apolitical economic conference on the Middle East—a type of Marshall Plan for the reconstruction of the region—to run in parallel with the proposed political negotiations. Blocked once by Mr Shamir and his right-wing allies, Labour officials are still working hard behind the scenes to try to win the crucial parliamentary majority in Israeli that Mr Peres still lacks for his proposals, by winning over three members of the opposing camp.

Belgrade wins debt delay

BY OUR FOREIGN STAFF

YUGOSLAVIA has won an extension until September of the deadline for repayments of $264m of debt principal to commercial banks after running into liquidity problems.

The extension was announced in Belgrade on Friday night after talks between Yugoslav officials and Mr Fulvio Dobrich, an executive of Manufacturers Hanover Trust, the US bank, who has headed banks' negotiations with the country.

Yugoslavia has said its inability to make the repayments due on June 30 and July 20 is due to temporary

WEST GERMAN politicians yesterday condemned reported currency restrictions imposed by East German authorities on citizens travelling to the West, Reuter reports from West Berlin.

East German visitors arriving in West Germany have said that since July 1 they have been allowed to take out and change only 15 marks' worth of local currency ($8) instead of the previous limit of 70 marks.

Dakar talks on South Africa 'an ANC plot'

BY JIM JONES IN JOHANNESBURG

TALKS IN Dakar this week between the African National Congress and about 50 white and coloured Afrikaners have been smeared by The Citizen, an English-language newspaper which supports the South African government, as an ANC plot to foster disunity among white South Africans.

On Saturday The Citizen quoted an un-named London informant as saying the Dakar meeting was first requested by the ANC. The newspaper quoted from what it described as an ANC policy document which allegedly stressed the need to "control" white liberals.

The government has itself made no further comment on the Daker talks organised by the Institute for a Democratic Alternative for South Africa. Idasa will officially name the participants only when they have left South Africa, for fear the government will revoke their passports.

According to local newspapers Mr Breyten Breytenbach, the exiled South African poet, and Mr Johan Rupert, the heir to the Rembrandt tobacco and liquor conglomerate, were closely involved in arranging the Dakar meeting. Mr Rupert helped finance and manage the campaigns of three independent candidates in South Africa's recent white general election.

Other white and coloured participants, whose names have been unofficially disclosed, are generally drawn from the liberal Afrikaner business and academic establishment.

Reports quoting Mr Archie Gumede, the co-President of the United Democratic Front, saying that the UDF, South Africa's largest anti-apartheid group, might consider participating in the country's 1989 general election, were played down at the weekend. The UDF spokesmen said that participation would indicate a fundamental shift in the strategy of the organisation, which was founded in opposition to South Africa's racially separate tricameral parliamentary system and the idea of fighting apartheid from within the system.

Mr Gumede clarified his position, saying that the UDF might discuss the idea, it should only be construed as part of a continuing dialogue.

● Chief Mangosuthu Buthelezi, the Zulu leader, told the annual meeting of his Inkatha movement in Ulundi on Saturday that low-level talks had been held with the UDF aimed at ending conflict between the two groups. Chief Buthelezi rejected the central government's plans to establish Regional Services Councils as another tier of government unless the councils were mandated to work for a new constitution. He added that the RSCs had been "rammed down our throats" without consultation and called for black unity

Brazilian domestic car sales plummet

The crisis-ridden Brazilian automobile industry had its lowest domestic sales for 15 years in the first half of 1987. However, its exports boomed, manufacturers said, Reuter reports from São Paulo.

The National Association of Automotive Vehicle Manufacturers (Anfavea) said sales from January to June in Brazil totalled 279,839 vehicles.

The industry expects to sell 550,000 vehicles in the country this year. This would be well down from the 877,000 of last year.

Soaring price inflation and high taxes on car sales have drastically cut demand. The car industry sent 20,000 workers on leave last week.

Autolatina, the biggest manufacturer in Brazil, laid off 4,000 workers last month.

Anfavea's figures showed the workforce in the car industry had shrunk to 147,797 in June, from 154,291 in May.

The one bright spot for the industry was that of exports, which were worth $1.68bn last year. In the first half of 1987, exports reached a value of $1.16bn. The industry's target for the full year is $2.2bn.

Brazil exported 157,273 vehicles in the first half of this year — 68 per cent more than during the equivalent period last year.

Robert Thomson in Peking reports on an exodus south of Chinese students

Australia becomes 'heaven's garden'

WHEN MR Gordon F. Munn, the Director of Studies at the Western Australian Institute of Applied Linguistics, rose recently at Peking's Great Wall Hotel, he had to placate an angry hotel manager and several hundred Chinese eager to join the rush to study in Australia.

Mr Munn had placed an advertisement in a Chinese newspaper asking those interested in English language courses to contact him at the hotel. As one hotel employee explained: "I only wish all the people who rang were booking rooms."

The remarkable education exodus to Australia follows an easing of that country's entry restrictions in an attempt to develop education as an export industry, and a tightening of restrictions for Chinese by many other countries for fear that many students have no intention of returning to China.

The conservative shift in Chinese politics has also contributed to the stampede, as have unfounded rumours that Australia intends to declare an amnesty next year for illegal immigrants as part of its bi-centennial celebrations. Whatever the reasons, hundreds of students from around the country gather at the Australian embassy here each morning, and Mr Munn estimates that his institute alone gets 150 letters a day.

Last year, 1,043 Chinese were granted visas to study in Australia, 157 of them government sponsored. This year visas issued have risen by almost 300 per cent, and it is understood that about 8,000 Chinese have successfully applied to Australian institutions for courses in the coming year. Last year, one embassy secretary processed study visas - now the section has a staff of five.

In Shanghai, touts have been selling information about courses at private colleges and state institutions, and agencies in Hong Kong have been overcharging Chinese applicants by as much as 200 per cent for study packages that they could easily arrange themselves.

About 60 per cent of applicants this year have been enrolling in three-month language courses, and it is clear that many see study as a passport out of China.

To counter that problem, the Australian Government this week set six months as the minimum for a course, and now requires prospective students to produce A$100 for each week they intend to live in Australia.

The latter requirement follows evidence that students were arriving in Australia with little money in their pockets and unreal expectations of getting a job immediately.

One Chinese who has visited Australia said that her comrades think the country is "heaven's garden," but find that it's not so easy after arriving.

Yet, even with the new restrictions, Australia is still by far the most accessible of the choice Western destinations. The only condition is money, whereas the US, for example, requires the taking of an English test, a financial sponsor, and hard evidence, such as a spouse left behind, that the student will return.

Mr Munn said that in a sweep through China this week he has interviewed 3,500 people, and many hundreds more were waiting for him in Peking.

Most were in their mid-20s and well-educated, but seemingly unaware of the realities of life in the West: "Some of them think that if you merely work an hour a week you will become a millionaire."

Dr Ross Garnaut, the Australian Ambassador to China, sought to debunk a few myths at a press conference for Chinese journalists this week. He warned that students overstaying visas will be deported, with "no exceptions", and said there is "no truth whatever in rumours we have heard about amnesties."

Dr Garnaut said "it would be a tragedy" for Chinese families to use hard-won savings to bankroll a student "only to find that they did not get the results that they expected."

Perhaps the most remarkable aspect of the rush is that the average annual wage in China is about A$300, yet students enrolling for a six month course will need about A$4,800 for the course, and more for the return airfare and the A$100 a week in living expenses.

Relatives overseas are obviously a help. A 24-year-old man from Guangzhou, in the south, said he had earned several thousand dollars working as a private electrician and borrowed the rest from friends in Hong Kong. A 25-year-old Shanghai man said he hoped to support himself by working as a tennis professional.

Student violence shatters Venezuela's tranquility

VIOLENT student demonstrations this week in Venezuela, in which two students died and at least 73 people wounded have disturbed the tranquility of this normally peaceful country, *Reuter reports from Caracas.*

Political violence is rare in Venezuela, whose citizens enjoy the highest living standards in South America and live in its most stable democracy.

Among the most startling reports was news of snipers shooting police at Caracas' central university and police firing at students from a helicopter.

"This chain of violent demonstrations has really preoccupied the country and of course the government. The situation for us is worrisome," said Interior Minister Jose Angel Ciliberto.

The students were protesting against the failure of President Jaime Lusinchi's social democratic Government to curb record inflation, as well as repression of demonstrators.

Six provincial cities were also hit by riots in this week's violence. Students burned cars, looted stores and blocked streets with flaming tyres.

President Lusinchi blamed some of the riots on "subversives" and ordered army troops to patrol two Andean university towns. Interior Minister Jose Ciliberto said the snippers who shot seven police in Caracas last Friday were "professional agitators."

One commentator, Mr Alfredo Pena of the centrist newspaper El Nacional, compared the demonstrations to popular protests in South Korea, the Philippines.

"Venezuela is no exception in this time of violence and youthful and popular protests," he wrote. "Social struggles are becoming violent in this time of crisis."

To student leaders, the roots of the unrest lie in accelerating inflation and stepped-up repression by the police and military.

Inflation is believed by economists to be heading towards 40 per cent or beyond this year, nearly quadruple last year's 12.7 per cent.

"The government says there is a price freeze but nothing costs the same as it did two months ago," one student leaflet said.

The World Bank recently put Venezuela's per capita annual income at $3,410, ahead of Portugal and Yugoslavia and close to that of Greece.

But the source of Venezuela's longtime wealth, oil, is also the cause of accelerating inflation.

The inflation mainly stems from devaluations in the bolivar, the national currency, imposed after a slump in oil prices.

The most politically sensitive price rises were bus fare increases of up to 100 per cent last April. Student protests erupted in Caracas and two provincial cities, wounding at least 58 people.

Fresh unrest was stirred when students pressed for the freedom of 17 youths jailed last May for protesting against bus fare increases in Cumana, an eastern city.

In June, 43 students went on a hunger strike to demand their freedom, and already this month two students have died in demonstrations.

The death of one student in the Andean city of Trujillo, touched off a rampage of students in seven cities, in which at least 17 police and 58 students were hurt.

Students blamed police for the death and President Lusinchi said prosecutors were investigating.

Saudis warn on demonstrations during Haj

BY ANDREW GOWERS IN RIYADH

SAUDI ARABIA issued a stern warning at the weekend against "demonstrations and clamorous processions" during the annual pilgrimage season, or Haj, which begins at the end of this month.

The statement, published by the Saudi Press Agency, is said to be more specific than in previous years and reflects Saudi anxiety about the activities of pilgrims from Iran.

It follows an unusually harshly worded speech by King Fahd last week, in which he attacked "hypocrites who are using religion to destabilise Arab and Islamic countries either because of sheer ignorance of the tenets of Islam or ill will."

In each of the past three years, more than 150,000 Iranians have visited the Saudi cities of Mecca and Medina on the Haj, which makes them by far the largest national contingent out of the total of around 850,000 foreign pilgrims.

Groups of them have in the past demonstrated with banners denouncing Saudi Arabia's links with the West, and have on occasion been involved in violent clashes with police. Their activities have caused friction between Saudi Arabia and Iran, which have otherwise managed to maintain relations despite Riyadh's support for Iraq in the Gulf war.

This weekend's statement referred to meetings and seminars in some Islamic capitals in recent weeks which have discussed "issues pertaining to the Islamic antiquities" (presumably an allusion to the Moslem holy places in Mecca and Medina) and called for the lifting of alleged curbs on pilgrims' freedom of movement within the kingdom.

"If the hidden reason behind these demands is to start demonstrations and chant known slogans that would create disorder and threaten the security of 1.5m pilgrims . . . all Moslems agree that such acts are not Islamic and cannot be allowed," it added.

In the face of criticism from Islamic militants in Iran and elsewhere, the Saudi authorities have been acting in recent months to underline their religious credentials as hosts to Islam's holiest places.

It was decreed last year that King Fahd should be addressed as the Custodian of the Two Holy Mosques. The weekend statement contained a reminder of the kingdom's support for international Islamic organisations and of its large expenditure on renovating and maintaining the Mecca and Medina mosques.

King Fahd's speech last week, delivered to the Saudi Council of Ministers, may also have been a veiled criticism of religious radicals within the kingdom, who have been increasingly assertive

Iran 'deploys missiles in Gulf'

IRAN HAS begun to place Chinese-made anti-ship missiles on launchers at the strategic Strait of Hormuz, according to unofficial reports, AP-Dow Jones reports from Manama.

The missiles reportedly were test-fired in the area in February, but Gulf-based salvage executives said some were placed on launchers on Friday, making them fully operational against shipping.

US official said that according to information available, the missiles were "not operationally deployed."

The salvage executives said the launchers were at the port of Bandar Abbas overlooking the vital strait, and possibly on nearby Qeshm Island, which belongs to Iran.

● A 12-member delegation of the US House of Representatives arrived in Saudi Arabia yesterday on the fourth leg of a Gulf tour.

Haiti crisis deepens

Haiti's political crisis deepened yesterday after the electoral council supervising the country's return to democracy accused the army of murdering innocent women and children, AP reports from Port-au-Prince.

The accusation came amid a general strike in the island nation calling for the resignation of the three-man council.

The armed forces said there was "an atmosphere of anarchy and violence" in Haiti, and said terrorists in press cars and others in olive green uniforms were firing on civilians and soldiers.

According to unofficial estimates, soldiers have killed at least 20 people, including a nine-month-old baby, during a four-day strike this week and wounded scores more.

African summit

A major economic recovery programme and proposals for a substantial injection of fresh capital are expected to dominate a summit this week of the Economic Community of West African States, Reuter reports from Abuja.

The three-day summit, beginning on Tuesday, will discuss measures aimed at helping the region recover from economic problems precipitated by a collapse in the price of export commodities.

The draft economic recovery programme, comprises 136 projects for implementation over the next three years, according to Mr Kalu Kalu, Nigeria's Planning Minister, the current chairman of the ECOWAS council of ministers.

The programme was approved in principle during an ECOWAS ministerial meeting in Abuja last November.

Bandaranaike in challenge to Jayewardene

BY MERVYN DE SILVA IN COLOMBO

SRI LANKA'S former Prime Minister, Mrs Sirima Bandaranaike, yesterday challenged President Jayewardene to face her at a presidential contest if the government was not ready to accept the demand of six-party opposition alliance for a general election.

Accusing the President of being "frightened" by such a contest, she said that the govern ment had "panicked" in the face of the opposition demand to launch an island-wide campaign for an election and mobilise international opinion in its support. She had already written to the leaders of the Western democracies and had received several responsive replies.

In an interview published yesterday, Mrs Bandaranaike was asked whether she and fellow-campaign leaders would "court arrest". "We will not court arrest but if it becomes necessary, we are ready," she said.

Neither the people nor the opposition was scared of a government that showed growing signs of disunity, she added, pointing to the recent resignations of a cabinet minister over nominations for forthcoming local polls.

Mrs Bandaranaike asked how the Government could reconcile its plan to hold parliamentary by-elections in the strife-torn Tamil north and east, and local polls in the Sinhalese south, with President Jayawardene's recent statement that no elections can be held until "terrorism is wiped out." Mr Jayawardene had also said, she added, that a referendum may be held instead of the general election which itself was postponed for six years in 1982 after a highly controversial referendum.

Meanwhile, TULF, the main Tamil party, has also announced that it would "boycott" the parliamentary by-elections for 16 seats.

A Tulf spokesman said the action was "similar" to the opposition boycott of local polls, but for "different reasons," an indication that this sudden, if surprising, convergence of interests between the Sinhalese opposition and the moderate Tamil leadership will pose a rapidly mounting threat to a regime already under pressure from separatist insurgency and the Indian Government.

SHIPPING REPORT

Savage shake-out for dry cargo

BROKERS reported another poor week on the dry cargo markets, but hopes that the low point of the summer cycle may have been reached were encouraged by steady to firm second-hand values and a rise in the Baltic International Freight Futures Index.

The London broker Matheson (Chartering) noted that the key Panamax grain rate from the US Gulf to Japan had fallen from $18 to $12 during June, while time-charter levels for North and South American round voyages eased by around 25 per cent in three weeks.

This savage shake-out caused many charterers to hold off the market, creating a sudden increase of unfixed tonnage which accentuated the overall decline. Matheson suggested that the extent of the fall may have been exaggerated, but it remains a timely reminder of the vulnerability of owners of dry cargo tonnage.

The Biffex spot index, which peaked at 1,102 on May 14 and stood at 1,069.5 at the beginning of June, fell steadily throughout the month to finish at 879.5. The second day of July brought a half-point increase, however, followed by a rise of nine points on Friday, when the index closed at 883.5, with hopes of further increases this week.

Even more significant, the October futures price, which stood at 995 at the beginning of June and plummeted to a low of 862 last Monday, recovered by nearly 120 points during last week to close at 981 on Friday.

In the tanker market, brokers said business was brisk in the Middle East and rate levels appeared to be improving, but market sentiment was difficult to judge because details of many fixtures were being kept confidential.

Philippines violence

Twenty-five people died in an upsurge of violence in the Philippines over the weekend, and a series of explosions hit Manila, Reuter reports from Manila.

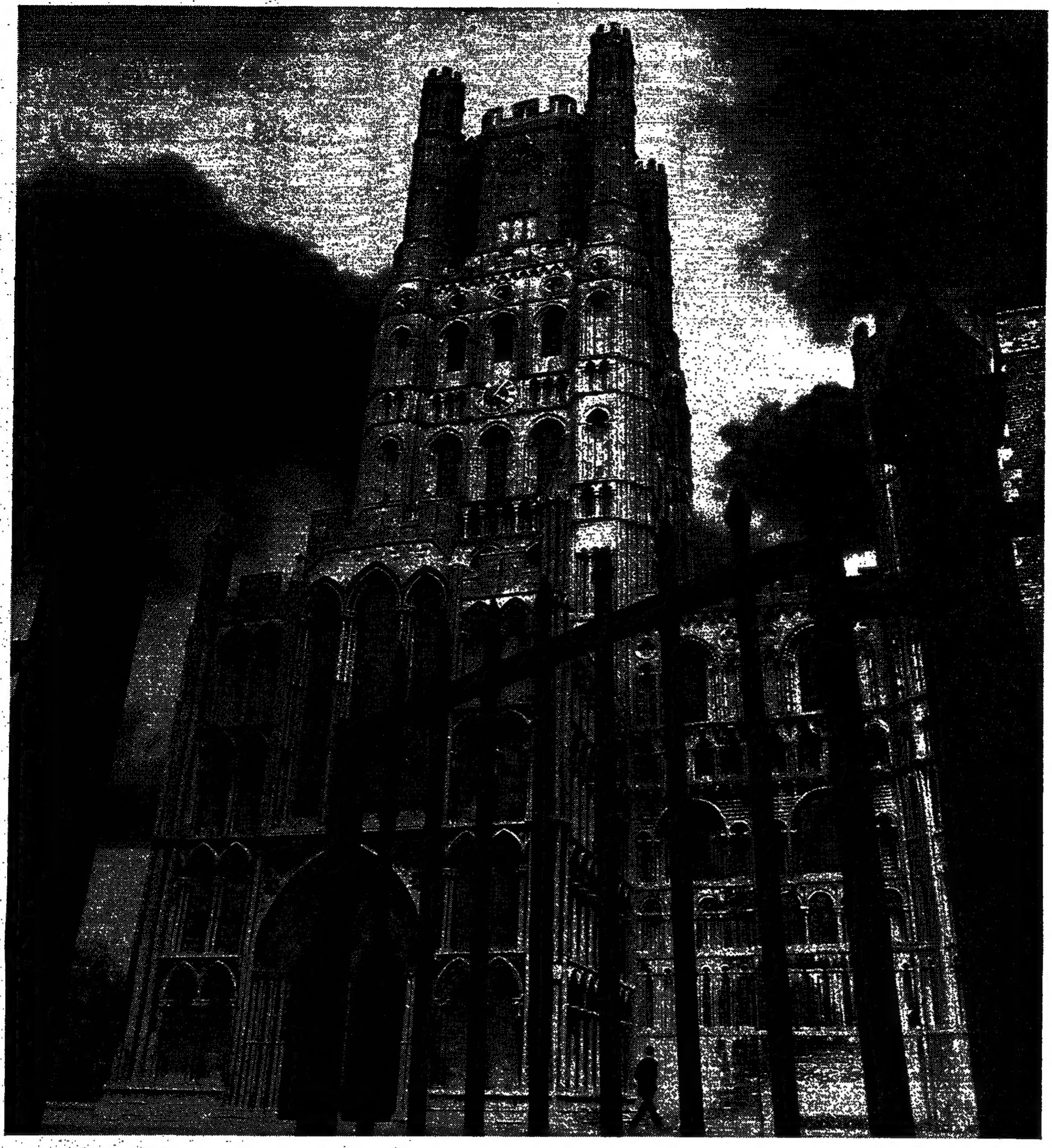
The deaths came in clashes between government troops and Communist rebels in seven provinces, including an encounter near the US Clark Air Base north of Manila.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1980=100)

					% change over previous year
	May '87	April '87	March '87	May '86	
USA	117.7	117.1	117.2	114.3	+2.5
	April '87	March '87	Feb. '87	April '86	
UK	112.6	112.3	112.9	110.9	+1.5
Japan	121.9	123.9	121.8	121.5	+0.3
	March '87	Feb. '87	Jan. '87	March '86	
W. Germany	105.4	106.6	103.1	102.0	+3.3
France	103.0	102.3	100.9	99.8	+3.2
Italy	100.6	99.9	98.6	101.4	−0.8
Netherlands	108.5	106.2	108.1	104.1	+4.3

Source (except USA, UK, Japan): Eurostat.



UK NEWS

Thatcher to act over lack of Scottish support

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT'S political problems in Scotland will soon have to be discussed by the full Cabinet, Mrs Margaret Thatcher has told senior colleagues.

There is an increasing recognition among senior ministers that the Government will have to respond in some way to the political position in Scotland where the Tories lost 11 seats in last month's general election and now have only 10 out of 72 MPs.

Mrs Thatcher and most ministers remain firmly opposed to any form of devolution or Scottish Assembly which involves tax-raising powers. However, her decision to signal that the matter must be fully discussed by the Cabinet reflects a wider ministerial view that the Government must not be passive.

Mr Malcolm Rifkind, the Scottish Secretary, who was sympathetic to devolution in the debates of the 1970s, has adopted a "wait and see" attitude before pushing for any initative.

A pressing issue is what do about the various committees in the House of Commons affecting Scotland, since the Tories only have five backbenchers from north of the border. Business managers are reluctant to concede an opposition majority on the select committee since this would give Labour the initiative in investigations.

Scotland is one among a number of tricky political problems facing the Government in the two-and-a-half weeks to the start of the long parliamentary summer recess. Others include MPs' pay and the replacement of domestic rates by a universal community charge, where there is undercurrent of Conservative backbench unease and revolt. Mr Nicholas Ridley, Environment Secretary, and Mr Michael Howard, Local Government Minister, will meet Tory MPs tonight to discuss the issue.

The Government has also faced the embarrassment of well-publicised attacks from former ministers, including Mr Edward Heath, Mr Michael Heseltine and Mr John Biffen, the sacked Leader of the Commons.

Mr Biffen distanced himself further from Mrs Thatcher in an interview in yesterday's Sunday Telegraph newspaper where he said he was "not in the business of making life easier for her." But he rejected the role of perpetual rebel.

Saying he wanted to be a power broker in the choice of a successor to Mrs Thatcher, Mr Biffen noted his powerful instinct that "it is far better for the most successful leaders to call it a day five minutes too soon that to linger beyond their welcome."

He also defined his "common interest," although definitely not formal alliance or cabal with Mr Heseltine, in bringing about "a greater pluralism within the Tory Party, so that we don't have a sort of Stalinist regime any longer."

Mr Biffen, who expressed support for many aspects of government policy, reiterated his doubts about many aspects of the EC in its present form. He has joined the European Reform Group, an organisation of Tory backbenchers run by Mr Teddy Taylor.

Review of regional policy likely to change development grants

BY HAZEL DUFFY

FUNDAMENTAL recasting of the Government's approach towards its policy for the regions is likely to emerge from a policy review which is to be initiated by Lord Young, the Trade and Industry Secretary.

The review will reveal numerous contradictions which have been arising in the development of government policy on the inner cities and its separate policy on the regions.

But it also stems from the suspicion that has been growing in some ministers' minds that regional grants to industry are not an effective way of closing the economic gab between different parts of the country. That suspicion has been strengthened by the arrival of Lord Young to head the department which administers regional policy.

Also, the Treasury is concerned that the department's expenditure on grants, although lower than in the early 1980s, is not falling fast enough. The allocation for the current financial year is £376m.

The fact that much of this sum is demand-led – regional development grants, as opposed to regional selective assistance, being virtually automatic for companies in the assisted areas which meet the necessary criteria – makes it difficult to keep the figure under control.

Any fundamental changes, however, risk provoking intense opposition from industry and MPs representing constituencies which qualify for regional aid.

Ministers want to ensure that the regions are internationally competitive in attracting companies like Nissan, which means being able to offer grants. But there are very few investments of this type. Expansion of indigenous companies is a more certain way to create jobs.

It is possible to argue that UK-based companies would not locate, or expand, in assisted areas without incentives. But it is equally possible to argue that the existing policy simply gives a free gift to companies which can well afford to finance expansion on their own. This throws up the question of whether the Government is getting value for money.

The last review of regional policy was initiated by Mr Norman Tebbit. It resulted in shrinking the map where assistance was on offer, although this was later expanded with the addition of the West Midlands; imposing a cost-per-job limit on aid; and introducing greater selectivity for a new category of aid, known as regional selective assistance.

The last innovation, however, has added a further layer of bureaucracy to the administration of aid. Applications must be prepared highly professionally, with the result that large companies are most likely to apply, and assessment is costly and time-consuming. At the same time, this goes against the Government's policy of cutting red tape and stimulating job creation through the expansion of smaller companies.

Labour 'needs to rethink policies'

By Our Political Editor

THE LABOUR PARTY needs to rethink some of its economic policies and its approach to public ownership, Mr Bryan Gould, the party's campaign co-ordinator, argued yesterday.

His remarks, in a radio interview, come as the internal Labour debate intensifies about how to win the next general election having lost three in a row. The leadership has commissioned polling evidence about why the party did well in Scotland and Wales, but failed again in much of England, especially the south.

Mr Neil Kinnock, the party leader, is hoping for an injection of new talent into Labour's Shadow Cabinet in Wednesday's elections. There are already two vacancies and the signs are that centre-left candidates from the Tribune Group may make gains.

A major reshuffle is anyway likely with speculation that Mr John Smith will become economics spokesman, in place of Mr Roy Hattersley, who may take over as home affairs spokesman. Mr Gerald Kaufman is tipped to become foreign affairs spokesman, succeeding Mr Denis Healey, who is not seeking re-election.

Mr Gould argued, both in his interview and in a speech on Saturday to a conference of the Labour Co-ordinating Committee, the mainstream left body, that the party needed to develop its own radical policies for the year 2000, rather than be seen as "defending a tired old status quo against radical changes proposed by the Tories."

In particular, Mr Gould cited some aspects of economic policy and Labour's approach to social ownership and privatisation. Labour, he said, had not yet thought through which policies were true to socialist values and which would appeal to supporters.

He argued that what was needed were policies which appealed to outsiders, and not those which just commended themselves to internal committees and experts and could not be sold to the electorate.

In common with virtually all the Shadow Cabinet, Mr Gould argued that Labour could only look to itself for salvation and said talk of electoral pacts, re-alignments and proportional representation was both "self-deluding and self-defeating."

Miners split on six-day working

By Charles Leadbeater

THE NATIONAL Union of Mineworkers may be deeply divided over its policy towards British Coal's plans to introduce flexible shift patterns to allow six-day production.

The NUM annual conference which starts today at Rothesay in Scotland, is almost certain to back Mr Arthur Scargill, the union's president, in his opposition to six-day production, despite the 10 votes to 10 split on the union's executive on Saturday.

But few NUM leaders believe the conference vote, or even a subsequent national membership ballot, will settle the flexible working issue, as several NUM areas will come under increasing pressure to agree the changes to win major investments and safeguard jobs.

Pre-conference delegation meetings yesterday confirmed that the conference will support a motion which calls on the union to reject attempts to introduce longer daily shifts or six-day production.

The conference, which has a voting strength of 111, seems likely to pass the motion by a majority of at least 10. Some union activitists believe the majority could be as high as 40.

The South Wales NUM, which has agreed to the concept of six-day production for the £90m driftmine the corporation plan to develop at Margam, will lead the opposition to the motion.

Introduction of flexible shifts would require amendments to the 1908 hours of Work Act and the industry's 40-years-old five-day work agreement which regulates working time in pits.

UK NEWS

Raymond Snoddy reports on 24 hour pop music by satellite

Backing TV's revolution

MR TOM FRESTON, president of MTV Networks Entertainment, the company that has been running a 24 hour satellite pop music channel for six years in the US, believes a European television revolution is underway.

The cable and satellite revolution in Europe may take five or 10 years but he sees the continent as its most important new market and is determined to be in it.

The game begins for MTV Europe, a joint venture between Mr Robert Maxwell's Mirror Group Newspapers with 50 per cent and British Telecom and MTV with 25 per cent each, on August 1.

The three partners are committing up to £25m to the project to produce the round-the-clock, seven-days-a-week schedule of European music videos and video jockeys, music news reporting and live coverage of local concerts and festivals, as well as fashion news and competitions.

Despite its local content MTV Europe will be closely based on the MTV formula in the US which produced record revenues, of $140m for parent company Viacom Corporation last year.

"We invented the video music industry," says Mr Mark Booth, managing director of MTV Europe, "and as long as people are interested in music and television we will have a very big business."

Mark Booth: We invented the video music industry

MTV Europe will be available in more than one million homes in eight countries, including Britain, France and West Germany, from its launch date and hopes to sign further agreements with cable networks.

In Britain, about 100,000 homes will be able to switch on to non-stop pop music, most of them on Mr Maxwell's cable networks but also in new cable franchise areas such as Windsor, Berkshire.

Mr Booth is reluctant to speculate on possible break-even dates – it all depends on how quickly the audience builds up. More importantly MTV Europe's viability will depend on how fast the pan European advertising market develops.

The advertising finance channel, primarily aimed at 12 to 34-year-olds, said it has signed up its first year-long advertising campaign but declines to name the advertiser at this stage.

Mr Booth is undeterred by large losses made by MTV Europe's British predecessor, Music Box, now mainly available as part of Super Channel, the European satellite channel set up by 14 of Britain's ITV companies and the Virgin Group.

"We have the experience and the credibility," says Mr Booth, who also emphasises the company's close relationship with major artistes and record companies.

In the US, the National Association of Record Merchandisers has commended MTV as a pioneer in developing the synthesis of music and video and for being instrumental in an upward surge in record sales.

Mr Booth hopes the same may be about to happen in Britain and the rest of the western Europe.

Compact disc maker sold

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

DISTEC, a leading independent manufacturer of compact discs, is being sold to Disctronics of Australia in a £15m deal which is expected to mark the beginning of a period of consolidation in the industry.

The British company began production only a year ago, and still operates at only about half of its capacity of 10m discs a year. But its backers, which include a number of venture capital companies, have been able to make a handsome return on their £3m equity investment by disposing now.

"It was always part of our game plan to seek a corporate investor at an appropriate time," said Mr Phillip Race, the record industry executive who organised Disctec and held the largest stake in the company.

Disctronics, which is also assuming the £8m worth of borrowings in Disctec, emerges from the acquisition as one of the largest independent compact disc manufacturers in the world.

The company opened its own plant in Australia at the beginning of this year, and now plans a further purchase in North America, where it hopes to complete another acquisition within the next six months. Following the Disctec agreement, said Mr Roger Richmond-Smith, Disctronic's managing director, the group would have a capacity of almost 25m compact discs a year, potentially giving it roughly 14 per cent of the world market.

The company wanted to be situated in Europe and America as well as Australia because it was important to be close to the market to serve the pop industry, which was moving to faster turnround times in making records, he said.

Mr Richmond-Smith strongly rejected recent suggestions that the industry was heading into a spell of structural overcapacity. Although he conceded that supply might be currently exceeding demand, he said that the industry would be working at full stretch by the end of the year to meet the normal surge in sales at that time of the year.

He expected Disctec to make net profits of about £3.8m this year, he added.

Mr Race, a former CBS executive, who set up PR Records, a conventional record company, eight years ago, said he will now start thinking about new entrepreneurial possibilities. He was the largest single shareholder in Disctec, whose other venture capital investors included Fleming Ventures, 3i, the Prudential, and CIN, the subsidiary of British Coal.

British textile exports growing

By Alice Rawsthorn

EXPORTS of textiles and clothing from British manufacturers sported healthy growth in the first quarter of 1987, according to a report published today. Exports to countries within the European Commission fared particularly well.

The report, from the British Textile Confederation, says that volume export of textiles increased by 12 per cent to 88,000 tonnes and of clothing by 21 per cent to 15,000 tonnes in the first three months of the year. Textile exports grew in value by 14 per cent in value to £366m and clothing exports by 20 per cent to £286m over the same period.

West Germany and France emerged as the most fruitful overseas markets for British textile and clothing companies. The value of textiles sold to West Germany increased by 29 per cent to £54.1m, while clothing sales grew by 43 per cent to £38.2m. Textile exports to the French market rose by 26 per cent to £43.1m and clothing by 46 per cent to £31.5m.

Similarly exports to Italy, the Netherlands and Belgium also rose significantly.

The prospects for British textiles and clothing within the EC were buoyed by both the long-term structural changes in the industry, the trend towards "quick response" production and empasis on marketing and design, and by the weakness of sterling against other European currencies during the period.

By contrast, exports to North America, Australia and Hong Kong were more difficult. The efforts of British exporters to sell to these markets were hampered by the relative strength of sterling against the currencies.

The currency effect, specifically the weakness of the US dollar, also effected the flow of imports in the first quarter. According to the BTC report, imports of both textiles and clothing rose by 5 per cent in volume to 193,000 tonnes and 50,000 tonnes respectively. Similarly, textile imports increased in value by 5 per cent to £722m and clothing imports by 11 per cent to £670m.

Much of this increase comes from the low-cost textile producers in the Far East, which trade in US dollar-related currencies.

Merchant bank to regain independence

BY DAVID LASCELLES, BANKING EDITOR

SINGER & FRIEDLANDER, the small UK merchant bank which has had three owners in the past 10 years, is to regain its independence through a £143m deal with Mr Nigel Wray, the property entrepreneur.

Singer is to be sold by its present owner, Britannia Arrow Holdings, the unit trust and fund management group, to Gilbert House Investments, a listed company acquired by Mr Wray last year.

However, Singer will control the merged group after the deal. Mr Anthony Solomons, the bank's chairman and chief executive, will become chairman with Mr Wray as deputy. The company will change its name to Singer & Friedlander Group.

Britannia Arrow owns 91.6 per cent of Singer, with the rest in the hands of the bank's senior management. Under the terms of the deal, Gilbert House is offering cash with a limited element of ordinary shares and convertible loan stock as an alternative.

The change in ownership has been approved by the Bank of England. It is not expected to affect Singer's membership of the Accepting Houses Committee, the trade group of the City of London's leading merchant banks.

Singer is one of the smallest of the City's accepting houses. Last year its pre-tax profits after transfer to inner reserves were £12m, and net tangible assets were £110m, not including a £9m contingent tax liability.

Mr Solomons said yesterday that the deal would give Singer its independence and enable it to expand by issuing its own peper. The group would concentrate on three business areas, banking, property and commercial-industrial interests. "The transaction is splendid for our future," he said. Mr Wray, who started his financial career at Singer, praised the management abilities of Mr Solomons and his colleagues and said the deal "opens many opportunities for soundly based growth."

Mr Geoffrey Rippon, Britannia chairman, said the sale would provide his company with substantial cash resources to develop its investment management business. Mr Solomons has agreed to remain on the Britannia board.

The bank was previously owned by C. T. Bowring, the insurance broker, and European Ferries, the transport group, before being bought by Britannia in 1984.

Since then, the management of Britannia has undergone major changes with the arrival of Lord Stevens as chief executive, and its merger with Montagu Investment Management.

Overseas companies 'shed UK jobs faster'

By Michael Prowse

FOREIGN-OWNED multinational companies have cut their UK workforces faster than elsewhere, according to a study published today by the Labour Research Department, an independent trade union and labour movement research organisation.

It says the 30 largest multinationals with UK operations cut their employment in the UK from 419,000 in 1979 to 303,000 in 1986, a fall of 27.8 per cent.

The job losses at the multinationals were in line with falling employment in UK manufacturing: the top 40 British manufacturers cut their employment by 25.5 per cent over the same period.

However, the share of UK employment in the worldwide employment of the multinationals fell from 9.1 per cent to 6.8 per cent, reflecting the faster relative loss of jobs in the UK.

At Ford, for example, the UK share of worldwide employment fell from 15.2 per cent to 12.3 per cent; at Philips, the Dutch electronics group, it fell from 1 in 10 to 1 in 16; and at Peugeot, the French motor manufacturer, it fell from 1 in 11 to 1 in 30.

US multinationals, although still the largest employers of UK workers among foreign companies, are becoming a relatively less important source of jobs, according to the report. But the proportion of jobs supplied by Japanese, West German and Swedish companies is rising.

The study concedes important exceptions to the overall trend. Nissan, the Japanese motor company, for example, should have doubled its UK workforce to 1,100 by the end of the year, while the UK acquisitions of Electrolux of Sweden will boost its UK employment by 6,000.

Short's may keep factories shut over Loyalist flags row

BY OUR BELFAST CORRESPONDENT

SHORT BROTHERS, the state-owned Belfast aerospace company, looks set to keep production at a virtual standstill this week because of the row over Loyalist flags in its factories, in spite of a call from the trade unions for workers to be allowed back.

Mr Peter Viggers, the Northern Ireland Industry Minister, gave the Government's backing at the weekend to the managements of Ulster companies who have taken a stand against the erection of the flags and emblems commemorating the Protestant victory at the Battle of the Boyne in 1690.

He said the Government's policy of equal opportunity in employment could not be put in jeopardy and the Government therefore supported all actions designed to ensure that workplaces were free from displays which might give offence

On Friday, Short, Ulster's largest manufacturer with 7,000 employees, carried out its threat to shut down production following two days of what it said was "widespread intimidation" on picket lines.

The company has been struggling to regain profitability but is now losing millions of pound's worth of production and could face penalties for late delivery. Although office staff are turning up, it has stopped work on commuter aircraft, aircraft components and missiles. Only production of the Tucano basic training aircraft for the RAF is unaffected.

Sir Philip Foreman, chairman and managing director, said in a television interview: "We will keep the factories closed until we have a neutral atmosphere, even if it takes months. Our major market (the US) looks on us to operate factories in which there is not intimidation. I am not prepared to operate a factory where the world can say we intimidate a minority or anyone else."

Hot water to heat town

BY MAURICE SAMUELSON

SOUTHAMPTON will become the first city in Britain to be heated by hot water pumped from thousands of feet beneath the earth.

A group of city-centre buildings, including the town hall, will be supplied with the heat by a UK subsidiary of a French company which runs similar schemes in Europe.

After seven years of research the scheme was agreed yesterday when Southampton City Council signed agreements with Utilicom, part of the Idex group of France.

Southampton, on the south coast of England, turned to a private partner after the Department of Energy, which had helped to sink the first boreholes, pulled out of the scheme about two years ago.

CONSTRUCTION CONTRACTS

Modernising Whitehall offices

The old War Office building in Whitehall about to be modernised to provide office accommodation for the Ministry of Defence.

The old War Office building in Whitehall is about to undergo a major £12.5m internal modernisation. Cecil Denny Highton, acting as consultant architects to the Property Services Agency, have been responsible for the design and detailing of the scheme in close consultation with the Ministry of Defence who will occupy the building when the works have been completed in the autumn of 1989.

The main contract has been awarded to the refurbishment division of COSTAIN CONSTRUCTION and involves the alteration and refurbishment of existing accommodation within the building commensurate with modern office needs and current fire regulations. This will entail renewal of all electrical and some mechanical services and the restoration of some of the fine architectural features.

New office accommodation will be constructed from ground to roof level within three light wells, and will feature suspended ceilings and raised floors enabling the installation of modern air conditioning and computer communication facilities. The main entrance hall and oak panelled rooms at ground and second floor level are to be refurbished and the roof structure, damaged during the Blitz and currently protected by temporary timber structures, restored.

Based on the Edwardian Baroque style, the old War Office building was designed in 1896 by William Young, a Scottish architect who was also responsible for the Glasgow Town Hall. During the first 58 years of its existence the 50,000 sq metres building was the Army Headquarters, housing the Secretary for War and the Chief of the Imperial General Staff.

★

LYCETT AND PLATT has been awarded a £1.3m contract by Taylor Woodrow for the design and fitting out of Alexandra Palace. The work will include public areas, a circulation area, the public foyer, the Palm Court Bar, a 400-seat restaurant, a function room, the Londesborough Room, a bar and a snack bar. It is part of the refurbishment programme at Alexandra Palace, which is being converted into a major exhibition/public events centre, which will open in January 1988.

★

MULTI CONSTRUCTION, Stockport-based subsidiary of the Multi Construction (UK) Group, has been awarded a £1.14m contract by the Property Services Agency for the design, development and construction of administration, computer and associated buildings, at the Telemetry Command Station, Royal Aircraft Establishment, Oakhanger, Hampshire. Work begins on site soon and is expected to finish during February 1988.

Major extension to M40 motorway

R.M. DOUGLAS CONSTRUCTION has received orders worth £36.5m. The Department of Transport has awarded a contract for the Warwick south section of the M40. The project, valued at £22.4m, is to build 7.9 kilometres of dual three-lane motorway with hard shoulder from the south-west of Warwick to the south-west of Shrewley Common village. The works will include the construction of a grade-separation junction, a railway underbridge, 10 overbridges and seven box culverts.

British Airways Engine Overhaul, based at Nantgarw, South Glamorgan, has placed an £11.06m contract for maintenance facilities and workshop extensions. The new maintenance facility, which includes first-floor accommodation, is to be built adjacent to the test cell in the existing workshops. Refurbishment will be made to the existing workshops to provide office accommodation, and after some demolition an additional 15,500 sq metres of workshops and offices will be built, buildings and external roads, car parking, fencing and landscaping. Completion of the 76-week programme is scheduled for December 1988.

Christian Salvesen (Food Services) has awarded a £3.1m design and build contract for a 9,600-sq-metre warehouse with office accommodation in Neasden, London NW10. Building works have started on site with completion scheduled for Christmas. The warehouse is of steel portal frame construction, with metal roof and side cladding

Sunderland car plant development

As part of the continuing expansion programme by Nissan Motor Manufacturing (UK) at its new car assembly plant in Sunderland, Tyne and Wear, SIR ROBERT McALPINE AND SONS has been awarded a further £10.65m worth of design and management contracts.

This additional work covers the construction of a power unit assembly building and overbridge, and an administration building, together with extensions to the trim and chassis shop and the maintenance shop.

The new single-storey engine shop with a floor area of approximately 15,000 sq metres will be linked to the existing body shop by a 3 metre wide overbridge; the 1,656 sq metres single-storey extension to the chassis shop will provide an additional goods receiving area together with associated servicing. The maintenance shop will double in size to 1,300 sq metres.

The two-storey administration building providing Nissan with 9,500 sq metres of office accommodation will be of reinforced concrete frame construction to first floor level with steel columns above and portal frame roof. The cladding will again be profiled composite steel panels.

Work, due for completion in March 1988, will include extending the existing car parking facilities, the construction of a new car park, new roads and road widening, alterations to existing services and the installation of gas-fired factory heating systems.

Department store in Kingston

The John Lewis Partnership has awarded JOHN MOWLEM & COMPANY a contract worth more than £40m to build a department store in the centre of Kingston-upon-Thames.

The five-storey development will occupy a two acre site beside Kingston Bridge and the river, and provide more than 60,000 sq metres of shop and ancillary space.

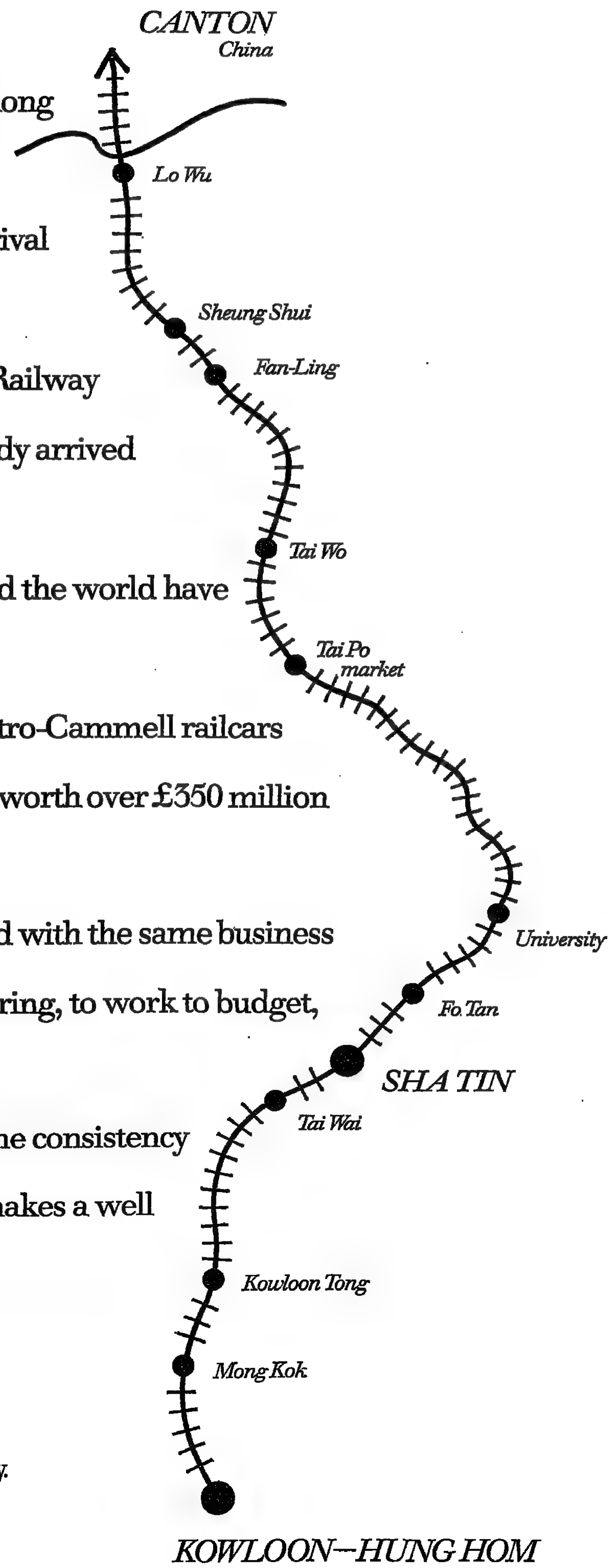
A novel feature of the scheme is a new relief road to ease town centre traffic, which will run across the middle of the site at ground level. Car parking will be provided on two basement levels beneath the main shopping area.

Construction will feature a reinforced concrete frame, with brick cladding. Bored pile foundations, a perimeter diaphragm wall and the bulk of site excavations have already been completed by Mowlem in an initial £5m preparatory package. A new river wall, landscaped riverside walkway and restaurant units are included in the new contract, which is programmed to take 39 months.

Norwest Holst active in Scotland

NORWEST HOLST SCOTLAND has been awarded contracts worth £11m for a variety of civil and building works. Included in the building works is the £2.2m alterations and extensions for British Aerospace at Prestwick, a £1.3m extension to HM Prison in Dumfries, and four contracts in Glasgow totalling £4m comprising shops in central station, two office blocks and the refurbishment of the north rotunda. Making up the civils element are two sewage treatment pumping stations at Kirkcaldy—worth £2.5m—and a £1.2m contract at Barassie.

THE 6.54 FROM SHA TIN DUE TO ARRIVE IN CANTON AT 10.55 IS REPORTED TO BE RUNNING 4 MONTHS EARLY.



Passengers who travel from the heart of Hong Kong to the Chinese border and beyond, can look forward to an extremely efficient and punctual service if the first arrival is anything to go by.

Rolling stock ordered by the Kowloon-Canton Railway Corporation scheduled for delivery in October has already arrived and is ready to roll.

But then this is the sort of service Railways round the world have come to expect from Metro-Cammell.

The 6.54 from Sha Tin is just one of the 808 Metro-Cammell railcars currently servicing Hong Kong transportation needs and worth over £350 million in exports to Britain.

Every customer and every contract is approached with the same business philosophy: to ensure high quality products and engineering, to work to budget, to give total customer support and to deliver on time.

In fact we believe our success is based on the same consistency of management, service, quality and performance that makes a well run Railway successful.

METRO-CAMMELL

Performing and Exporting for Britain and the UK Railway Industry.

Towards a true breaking of the mould

JOHN LLOYD

IT IS becoming clear that there is a broad identity of political view stretching from the jagged fissure between the Campaign and Tribune groups of the Labour Party, to the equally jagged fissure in the Alliance. This view regards unemployment and poverty as the largest and most dangerous domestic social issues. It supports more public spending and continued public provision of education, health and social services. It is not anti-market but nor does it worship the market.

It is increasingly pro-European. It is very keen on disarmament. That is, the easy part. The question is: will it amount to anything?

It is worth looking at the various components of this common ground. The Alliance is now providing schadenfreude—that greatest of political joys—to one and all by tearing itself apart in the way dons do in a C. P. Snow novel—solemn, civilised and joyously cruel. It is actually rather hard to see real political differences between Dr David Owen and Mr David Steel: Dr Owen's enthusiastic support for the social market has long been shared by Mr Steel (who resents the doctor's monopoly of the phrase); and the SDP leader's claim that the SDP stiffened flabby Liberal sinews on such issues as the Falklands and the miners' strike hardly bears close examination.

For all that, it must now be accepted that Dr Owen is concerned to carve out an ideologically distinct position for himself (and it may soon be just himself). A merged Liberal Democratic Alliance without him will be more amenable to deals with the Labour Party. No one will talk about this with any seriousness until next year, when the Alliance will—it is assumed—have sorted itself out. If talking does start, the principal differences may be found to be few.

That will be partly because the Labour Party seems to be in the throes of a realignment of its own: between the soft left and the right. The Tribune shadow Cabinet slate contains Mr Bryan Gould (whose huge political and presentational talents include the ability to travel ideologically light); Mr John Prescott (a former union official, who found himself in a campaign studio debate supporting the proposition that Labour should be state-funded to break its dependence on the unions) and Mr Jack Straw (bloodied in endless grinding battles with London borough leaders of the left). It also has bright younger people like Tony Blair, Gordon Brown and Harriet Harman. The party is no longer producing stars whose politics are fundamentally different from those of Mr John Cunningham, Mr Roy Hattersley or Mr John Smith.

This amity owes much to a common shrinking from the hard left, a motion more visceral among some on the soft left, since they have been allies of the "hards" and want to distinguish themselves. But it is also potentially more broadly based: the shock of a third defeat by a very wide margin, without the alibi of campaign chaos, has shifted the ground under all of those on the left who do not possess a serene confidence in capitalism's ultimate defeat. Mr Michael Meacher's bold nailing of his colours to a new mast which would woo back into the Labour fold the "acquisitive" workers is token of a common, and commonly undogmatic, search for new solutions.

What of nationalisation? Of the unions? Of defence? The first has few friends outside the hard left; played little part in the 1987 manifesto and is unlikely to be favoured in future for any more than the public utilities which are monopolies anyway. The unions are needed for money, and to provide support for the leadership's efforts to democratise the party, and for other changes—but they will not again be treated as a fifth estate to the realm. Defence is a division which is principled and which runs deep: but the division has nothing to do with socialism, as commonly defined, and is capable of being softened by an accommodation between unilateralists who are pragmatic and multilateralists who really do want disarmament.

These anti-Tory forces face a formidable political and governmental machine which has had the time and vigour to mould the country in the image it wanted: in its third term, it has shown, by its rapid degutting of the National Economic Development Council and evident intention to by-pass local authorities on education, housing and inner city initiatives, that it is willing to replace many of the structures in society which intervene between state and people with its own fiat.

It is producing a society in which the dynamic is assumed to be concentrated in the market and on the striving individual; it appears willing to tolerate sharp divisions in wealth and privilege living cheek by jowl, much like many US cities.

So, in the blue corner, a party with a leader passionate about choice: in the red, parties with leaders passionate about increasing freedom by increasing equality.

This division, sharp enough for any democracy, should produce an opposition capable of healing the rift which has kept it from any chance of power. Many within the Alliance appear to want that to happen: on Labour's side, there is a nice and delayable calculation to be made, as to whether it can hope to squeeze the Alliance down by convincingly re-occupying the centre-left ground—or if it cannot, whether it must make some sort of deal.

And here, as Mr John Smith would say, comes the interesting bit — the mechanics.

For the Alliance, any pre-electoral understanding with Labour would have to include a commitment to proportional representation, a reform Labour is presently very far from making. In any full-blown deal, Labour and Alliance candidates would have to stand aside in favour of the other in nominated constituencies—a thing now regarded as all but impossible by people on both sides. Both parties' electoral logic is driving them into the centre-left ground: the more they come to resemble each other, the more bitterly hostile they will become. To evolve what Mr Richard Holme, the Liberal Party's fixer-philosopher, calls "competitive co-existence" would be an exercise of political diplomacy and restraint rarely seen in political circles.

So there is a good deal of reasonable scepticism about this among those who have thought about the matter. Mr Gould, who clearly has, produces figures to show that the Alliance would, on reasonable presumptions, take only a few sure seats if a deal were agreed.

Mr Steel and his fellows are similarly cautious, anticipating howls of activist anguish and anyway doubtful whether the Labour leadership could deliver a commitment from its parliamentary party for PR.

The safest bet is this: that a Liberal Democratic Alliance will emerge, with a left-of-centre leaning; that the Labour leadership will continue the process of signalling to the electorate that it is now a modern, social democratic-type party with lots of ideas about wealth creation as well as a concern for those on the bottom of the heap; that these two groups will gently incline towards each other in an attitude of listening-to-what-you-say unless it becomes clear that the Alliance is sinking back to the core support which the Liberals used to attract—say a consistent poll rating of under 15 per cent.

It is the result of this possible mutual inclination towards each other by Labour and the Alliance which will determine whether or not the mould is really to be broken. There are huge institutional and personal difficulties. There are generations of tradition and of ideological battles to be consigned to the shelf. There is a legion of half-abandoned, half-embedded sentiments which would have to be confronted. It would mean a terrible and exhilarating series of decisions, which any politician in his or her right mind would want to duck. But the pursuit of power may not leave a choice.

John Lloyd is editor of the New Statesman.

INTERVIEW

Has been, will travel

David Marsh talks to Helmut Schmidt

HELMUT SCHMIDT, in the best tradition of dethroned elder statesmen, is vexed with the ways of the world and its reluctance to follow his advice.

The former West German Chancellor, now 68 and not in the best of health, has, since leaving office in 1982, functioned as a one-man think-tank pouring out international policy prescriptions.

As the co-architect of the European Monetary System (EMS) and the original moving force behind the "zero option" nuclear disarmament proposals now being hammered out between the superpowers, Mr Schmidt commands unique authority on economic and strategic matters—as well as fat fees from international lecture audiences.

His recommendations for closer Franco-German security links have given impetus to the present defence co-operation discussions between Paris and Bonn. But Mr Schmidt's voice, relayed to the public these days largely through long articles in the weekly newspaper Die Zeit of which he is now co-publisher, comes from the wilderness.

His calls for expansion of the role of the EMS, which he describes as "a sub-chapter in the grand strategy for integrating Europe," have largely fallen on deaf ears. The same goes for his recipes to prevent what he believes will be a gathering financial crisis caused by the widening US current account deficit.

His basic charge, made with some bitterness, is that today's Western political leaders are both mediocre intellectually and over-preoccupied with short-term issues. He says he is not pessimistic, just realistic—but his views on prospects for the US and Europe do not sound rosy.

On the West German political scene he once dominated, Mr Schmidt is now firmly off-stage. His disdain for the Government of Chancellor Helmut Kohl, whom Mr Schmidt has always regarded as something of a buffoon, seems almost matched by dislike of the path followed by his own Social Democratic Party (SPD).

Since leaving office in October 1982 with the break-up of the 13-year coalition between the SPD and the Free Democratic Party (FDP), Mr Schmidt has progressively distanced himself from the SPD.

● PERSONAL FILE

1918—Born December 23

1953—Entered Bundestag

1961—Hamburg Senator of Interior

1969—Defence Minister

1972—Economics and Finance Minister

1974—Chancellor (re-elected 1976 and 1980)

1982—Deposed in parliamentary vote of no confidence

1984—Quits as deputy chairman of SDP

1985—Co-publisher, Die Zeit

He now regrets that he did not leave office a year earlier. He shares the view of many that the SPD is destined for a long period in opposition. In conversation in his modest book-lined office in Die Zeit's Hamburg headquarters, Mr Schmidt's controlled, well-honed English resonates with a certain disappointment.

The rational side of Mr Schmidt's mind rebels against the lack of strategic vision in the West—while perhaps another, less known and more emotional side of him is irked by his failure to master the technique of not growing old.

Mr Schmidt works hard, 60 to 65 hours a week, he says, compared with more than 90 when he was in government.

"Life is easier, the responsibility is limited, from time to time I also write a little. I travel a lot. . . . I find it satisfying at the end of my life to participate in the management of this newspaper.

In his spare time, he never watches television. He lists his activities as "reading, going to the theatre, concerts, sitting at home with my wife playing chess, a little music."

Still accompanied by spurts of snuff — a habit he compares with a trace of self-mockery to that of Frederick the Great — he describes himself as "a has-been. My possibilities of influencing the German Government are rather small."

He has been working on his new book due out this autumn, describing the link between world personalities and political power. He has formed a sort of ex-leaders club with friends from the old guard, Gerald Ford, Valery Giscard d'Estaing, Jim Callaghan, and so on, whom he very plainly regards as superior to their successors.

Present Western leaders "are not really aware that a new power structure of the globe is developing. By the end of this century nobody will have any doubts that there are three world powers — the US, the Soviet Union and China. Theoretically, there would be a possibility for Europe to stand up as a world power of its own stature. But it's rather unlikely."

What of the new wind from the Soviet Union? Mr Schmidt says Mr Mikhail Gorbachev is facing "enormous difficulties" over economic reform but says he is so far acting like a "true new leader."

"Gorbachev obviously appears as a good strategist, the same as Deng Xiaoping. I am worried that the two outstanding leaders of the world right now are Communists. Thank God they don't like each other too much."

Mr Schmidt's well-known anxieties about American leadership, originating in the antipathy between himself and President Jimmy Carter, appear to have been accentuated under President Reagan. "These senators and the American leaders nowadays, when the old east coast international elite is withering away, come from the south and the west and they don't understand enough of Europe."

The Nato supreme commander in Europe should be a European — preferably French — not an American. France is the one country capable of rallying European leadership, he says.

Mr Schmidt rejects the idea put forward especially by the German right that the "zero option" deal in prospect between the US and Soviet Union on removing medium-range nuclear weapons from Europe will decouple America's strategic interests from the Continent.

But Mr Schmidt comes out strongly in favour of integrating French and West German conventional forces to stand up to the Warsaw Pact threat in a way which would lower western Europe's need to rely on America. He says that, with mobilisation of reserves, the West Germans could muster 1.2m soldiers, the French nearly 1m. The 200,000-strong American forces in West Germany, by contrast, amount to just "a handful."

Mr Schmidt says he has not totally given up the hope that the UK will become a full member of the EMS—but the move would not be made out of enthusiasm for European integration.

When I was a youngster, I started out in this city of Hamburg as a strong Anglophile, and I remained an Anglophile until the 1960s. But I have lived through one disappointment after another as regards British leadership . . . For most of the British, the Commonwealth is more important than the European Community.

Mr Schmidt is full of foreboding over the financial disequilibrium caused by the US current account deficit and the Japanese and German surpluses. He is "deeply afraid" that the massive build-up of US debt will have "psychological and political repercussions."

The people in New York will deeply resent a situation where the two countries which started the Second World War and lost it totally, become the greatest creditors, maybe arriving at a position where they can dictate conditions."

Criticising present German policies for being obsessed by the goal of stable prices, Mr Schmidt advocates a cut in German taxes to reduce the country's massive current account surplus.

It needs somebody in parliament to tell them that this export of German savings has served no purpose but indirectly to finance SDI (the strategic defence initaitive) and other deficit spending programmes of President Reagan." For a moment, it seemed as if Mr Schmidt, who quit the Bundestag at the end of last year and made his last speech there in September, might almost want to be back.

Inside not the place for an insider

JUSTINIAN

THE SENTENCE passed on Mr Geoffrey Collier for the new criminal offence of insider dealing — imprisonment for 12 months suspended for two years, a fine of £25,000 and prosecution costs of £7,000 — has not met with universal approval. Many thoughtful commentators think that Mr Justice Farquharson should have imposed an immediate term of imprisonment, albeit a short one of say six months, and that a fine can never have the impact on other potential insider dealers that actual instant custody of the convicted person would have. For reasons that have to be compressed, this commentator asserts that imprisonment actual or suspended was inappropriate, but the fine was insufficiently high.

The criminal offence of insider dealing is exclusively a creature of contemporary statute law. It offends no traditional moral code that instinctively attracts the provisions of a civilised criminal law. If society needs to proscribe any particular conduct that is not otherwise criminal it must pause before making the offence imprisonable.

The simple fact is that public confidence in the integrity of the securities market requires official reassurance. In a modern democratic society the public perception of unacceptable behaviour can be as important as the behaviour itself. The perceived prevelance of insider dealing, in which the happy few in key positions in the City are in possession of information before the ordinary investor can join in the game, is the key factor. It is unfair that the few can steal a march on the rest of us.

Section one of the Companies Securities (Insider Dealing) Act 1985 defines the offence as the use in personal dealings of "unpublished price-sensitive information" about a company by an individual connected with it, and in circumstances indicating that the information in question should not be used in that way. Dealing before an unannounced takeover bid is a classic example.

Such conduct doubtless reflects an unhealthy aspect of commercial activity rather like adulterating milk. But if it is to be visited with penal sanctions for any breach, is it really conduct that society needs to visit with the ultimate penalty of loss of liberty?

There is the further question whether the criminal law is the right vehicle for controlling insider dealing. There have been demands for some sort of civil remedy for the "innocent" investor. Indeed earlier bills included provisions for a civil remedy but they were ill-drafted and dropped from the 1985 Act.

If the civil remedy of damages is not to be readily attainable, there is every reason to allocate the infliction of a monetary penalty on the insider dealer to the criminal process. If there is no individual victim at least the crown can mulct the offender by way of a fine. The £25,000 fine on Mr Collier was ludicrously small, given his proclaimed personal fortune of £700,000. There seems to be no reason why a much larger fine should not have been inflicted.

But what of actual imprisonment? The law in the 1985 Act fixes the maximum at two years. That reflects the view of parliament that the offence of insider dealing is at present regarded as being properly at the lower end of the scale of imprisonable property offences. There may be cases where the insider dealing is so persistent or contains an element of deception that the offender must receive a dose of custody although even that may be doubted as being sensible. Of course if parliament steps up the maximum penalty to seven years' imprisonment that will put the offence, rightly or wrongly into, a different class of criminal offence.

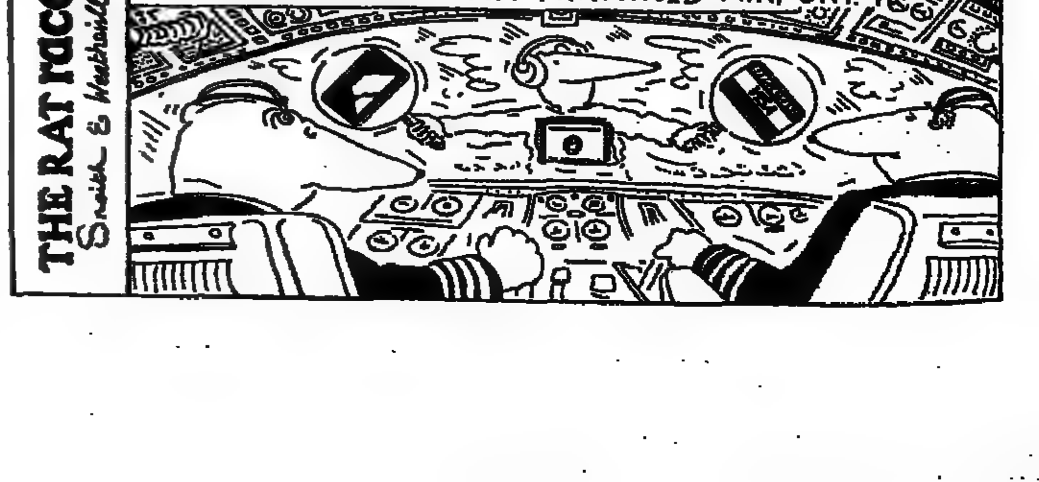
It is widely assumed that the actual experience of imprisonment is a general deterrent to further insider dealing by others. The futility of sending Mr Collier to prison can be justified only if his incarceration would actually operate to stop other potential insider dealers from indulging their criminal greed.

Commentators have rightly pointed out that it remains to be seen how much of a deterrent Mr Collier's fate will be to others who might think in terms of a trade-off between insider profits and any likely fines.

Criminological studies have invariably concluded that it is well nigh impossible to determine whether a particular punishment does or does not deter. The impact of the criminal justice system is the degree of risk of conviction and rarely if ever the penalty that might be inflicted.

The contemporary view is that those who make a profit out of crime should be made to disgorge it on conviction. Hence the crime that puts money into an offender's pocket should normally be visited with monetary penalties. Imprisonment is a scarce resource that needs to be used sparingly, and then only to contain those whose behaviour is inimical to social equilibrium and must be a very last resort.

Mr Collier's case did not come within a mile of satisfying those criteria. Even a suspended prison sentence could only be of cosmetic effect to reflect the comparatively serious nature of the offence. His fine should have been in six not five figures.



THE ARTS

New York architecture/Paula Deitz

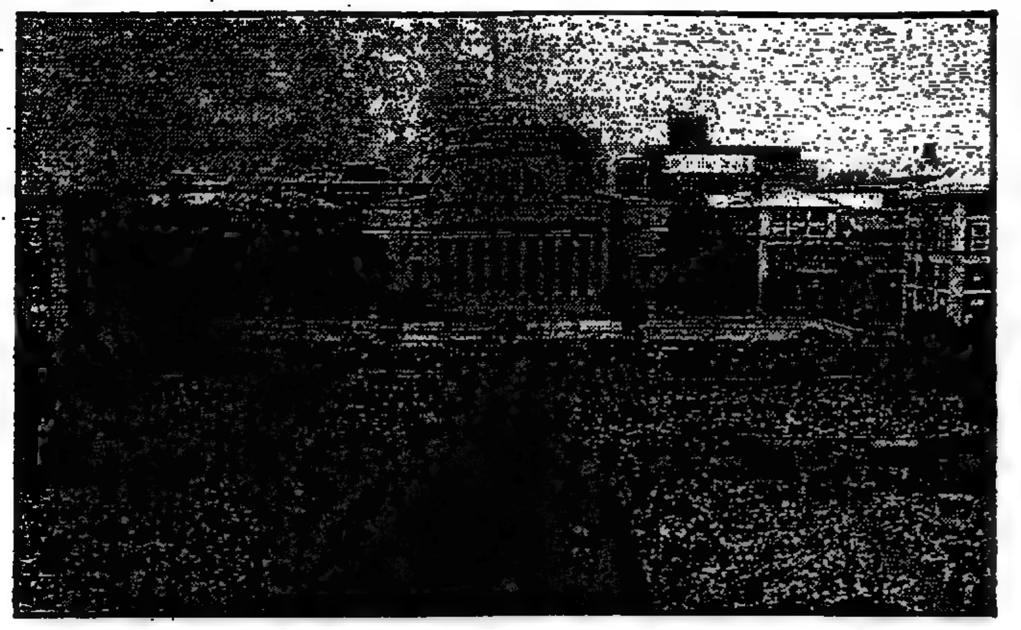
Good urban design—in a university campus

Some of the best days for appraising architecture often come when least expected — as the afternoon I sat out of doors recently, one of 37,000 spectators, in the great south court of Columbia University to see 7,200 students receive their degrees on Commencement Day. Not that this was my first time at Columbia; for many years I crossed the same green from Butler Library and climbed the three grand tiers of steps and stone-patterned plazas at the north end to enter the smaller courtyards of classroom buildings. I even got a degree, dressed in the customary slate-blue robe; but the graduates, from where they sit on the raised plaza, do not get the full impact of the McKim, Mead & White 1893 master plan.

One imagines that the architect Charles F. McKim had Commencement Day in mind when he devised a six-block campus enclosed apart from city streets, because it never looks better than it does with a sea of people surrounded on three sides by its irregular wall of brick and limestone-trimmed Italian Renaissance-style university buildings.

He made much of little space by increasing the levels, and then by crowning the position at the top of the steps with a monumental domed building, its Ionic colonnade, in New York's best 1890s classical civic style. Low Library, as it is called, ceased functioning as a library in 1934, but serves still to lift the whole campus skyward. With all these blue-gowned graduates filling the plaza just below and a flat expanse of sunny blue sky above, one could sense the power of McKim's design-culture in its symbolic form.

Graduates this year were in an ebullient mood—symbolised by the cloud of light blue and white balloons (the university colours) that was released to disperse overhead in the breeze; and throughout the entire ceremony, several colourful large plastic beach-balls were bounced from group to group. Even the blue-painted loudspeakers mounted on high poles had the air of a garden of giant bluebells. As each school was called to get its degrees, the graduates proudly raised symbols of their professions: architecture, yellow drafting paper; journalism, shredded newsprint; business, dollar bills. In a more serious moment, the Dean of the Faculty of Medicine administered the Hippocratic Oath to the new doctors.



The great south court of Columbia University on Graduation Day

Founded in 1754 as King's College, Columbia College is the undergraduate division. In this, its first co-educational commencement, both the valedictorian and salutatorian were women. Among the 10 recipients of honorary degrees were the author Philip Roth, whose prize-winning *Goodbye Columbus* first made the rounds of the Class of 1959, and Jean Starobinski, the noted scholar and teacher of the history of ideas from the University of Geneva. Michael I. Sovern, Columbia's president, quoted the poet Robert Frost's definition of education as "hanging around till you've caught on." More architects and urban planners should hang around Columbia University's main campus to get the feel of good urban design, as suitable for high-spirited summer pageantry as for autumnal evening classes.

★

For over 30 years, as Lewis Mumford walked the streets of America, he was our urban conscience in *The New Yorker's* column entitled "The Skyline." He chronicled simply what he saw and what he thought about cities. Because these columns were based on personal observations and memorable comparisons with other places he knew, he had the uncanny power of increasing the reader's own awareness and ability to judge. Sometimes he was even wrong, for example about Rockefeller Center in New York, and would correct himself in a later column.

The San Francisco I know is still the city Mumford wrote about in his last "Skyline" column for the December 7, 1963 issue: "Rugged hills, wilful weather and multi-coloured buildings bleached white." He also wrote of walking there at night in a mist that transformed the hillside buildings into a magical setting. "It is in the ensemble, not in individual buildings, that one finds the city's flavour," he concluded.

William Shawn, *The New Yorker's* longtime editor, never replaced Mumford, perhaps he hoped that as long as Mumford was alive (which he still is) another installment might appear. But now under the new ownership of S.I. Newhouse, Jr and a new editor, Robert Gottlieb, the column has been restored, written by architectural historian, Brendan Gill, who has already served *The New Yorker* many years as a staff writer and theatre critic.

Comparisons are not useful in this situation, for what one seeks is not a similarity of style but of effect, and it is too soon to tell. In Gill's first "Skyline". (February 23 1987) he set forth his prospectus by taking Mumford's programme as a sort of manifesto and by defining architecture not as shelter in the practical sense, but as an art in the ceremonial or sacred realm. This led naturally to his second column on June 8 about whether Frank Lloyd Wright's Guggenheim Museum should be allowed to build its extension, a modest tower designed by Gwathmey Siegel behind the inverted ziggurat. Rather than taking a personal view, Gill follows *The New Yorker* tradition of profiles by giving a lengthy detailed history of both the Guggenheim collection and Wright's sole, sometimes counterproductive, goal of designing "a thrilling architectural form". In a few final paragraphs of criticism, Gill favours the extension, which will magnify the musem's usefulness, because it will not alter our visual perception of the masterpiece.

Somehow Mumford in fewer words put down the Guggenheim nicely when comparing it to another Wright spiral interior which makes "far more sense than the Gugenheim Museum, for the floors themselves are level".

★

The Drawing Center in Soho is one of those galleries that found a good formula and stuck to it—four group shows of the work of emerging artists during the year counterbalanced by one exhibition in early summer of absolute masterpieces. In celebration of its 10th anniversary, Martha Beck, its founder and director, invited the Nationalmuseum in Stockholm to show a selection of its French drawings which originated with a collection amassed by a father and son. Nicodemus Tessin, who oversaw the new palace and its ceremonial festivities in the early 18th century, sought out the great drawings of decorative art, while the son, Carl Gustaf Tessin, had the good fortune of being a diplomat in Paris during the famous auction of Pierre Crozat's 19,000 drawings. He also had a good eye.

No day in the country can equal a Saturday trip to this intimate downtown gallery with its typical neighbourhood Corinthian colonnade to see the work of the 73 artists represented in *The Art of Drawing in France, 1400-1900* (until July 22); the catalogue, with supplementary illustrations, is divided into the 16 periods represented by the selection. One can hardly go wrong with French drawings, classical in a sense even when they are romantic; but even so, this selection has an overriding tone and tastefulness of its own.

Community designs for living

What exactly is community architecture? Events in recent days have brought it back into the news. But ask a group of architects, let alone members of the public, what the term means and after the "don't knows" will come as many explanations as days in the year. The new president of the Royal Institute of British Architecture, Rod Hackney, has just taken office on the community architeure ticket. On Friday, the Times/RIBA Community Enterprise Scheme awards were announced and presented by Prince Charles. Perhaps some clarification is at hand?

The definition of the awards is for schemes showing "communit yinvolvement in initiation and development" as well as in the continuing use of the scheme within that community. The 1987 winners include three self-build or co-operative housing projects, schemes which provide training and job creation via new uses for redundant buildings.

Architects figure very little; key figures include a planner, community association members, a doctor, council officers. Tony Gibson, the planner in question, is the tireless begetter of the Town and Country Planning Association's plan to refashion the ideas of their founder, Ebenezer Howard. The Lightmoor New Community project, self-built on land in Telford New Town, received the Charles Douglas-Home award for the most outstanding entry. It demonstrates that co-operation and self-determination are not old-fashioned ideals but a live principle.

Rod Hackney in his inaugural manifesto, pointed out that there was an important architectural ingredient to the welfare state, based upon "dedicated common purpose." If anyone should doubt that, then Andrew Saint's recent book on the post-war English school building programme, *Towards a Social Architecture* (Yale), is a salutory reminder.

Of course, much of the problem of consultation and participation—the process by which the architect may be able to serve the client—is the matter of identifying "the community." In housing, frequently tenants or residents do not appear on the scene until too late—certainly their representative associations do not have a voice.

Back in 1948 British architect, Ralph Erskine, working in Sweden then as now, took the trouble to talk to the tenants of a proposed housing scheme. Consultation with the users has been central to his approach to architecture and he is rightly considered as a father of community architecture. For this, and for the quality of his work, he has just been accorded the RIBA's highest honour, the Queen's Gold Medal for Architecture.

In the 1970s his highly acclaimed Byker redevelopment in Newcastle ensured that hundreds of tenants were involved in decisions about their houses and surroundings. His team worked throughout in an office on the site. (One of Rod Hackney's suggestions for closer contact between architect and client is the architecture shop.) Yet despite the real efforts made, studies of the Byker participation exercise showed that much of it was too little, too late. Politicians and planners had not been wholeheartedly in favour of asking tenants what they thought about the proposed redevelopment at the outset—suspecting that the answer might be in conflict with their decisions.

Without a whole-hearted housing programme, community architecture tends to be largely a matter of improving existing, often decaying, buildings. A rare exception is the first new rented housing development to be built in Soho since the 1960s. Just opened, it is the product of a partnership between the Soho Housing Association and Speyhawk Land & Estates and is a mixed scheme including 22 flats, designed by Peter Mishcon & Associates. Despite an extremely tight site, bounded by Dean Street and St Anne's Court, it has a generous internal courtyard; a modern interpretation of the warrens of Victorian industrial dwellings in the area. Here, after many a hiccough, a handful of housing association tenants are home and dry.

As Rod Hackney recognises, the architectural profession, if it is to regain any public trust at all, has to address the needs of those who are suffering the relentless devastation of many unfavoured urban and rural environments. It is to those for whom property ownership is likely to remain a sick joke, that their efforts should be most properly addressed.

Gillian Darley

Awards for sponsors

The 1987 ABSA/Daily Telegraph Awards for Business Sponsors of the Arts includes a new category — Best sponsorship of Arts and Disabled People. In addition the Best Commission of New Art in Any Medium, introduced last year to mark Industry Year, will be continued.

The ABSA awards acknowledge industry's help for the arts. In the ten years of their existence business sponsorship has grown from less than £1m to over £25m.

The other categories are Best Corporate Programme; Best Single Project; Best First Time Sponsor; and Best Youth Sponsorship. More information on nominations can be obtained from ABSA at 2, Chester Street, London, SW1X 7BB.

"Music of the Royal Courts" festival

Radio 3, in association with the South Bank in London, is presenting a festival celebrating the musical patronage of Royalty in Africa and the Orient, *Music of the Royal Courts*.

Nearly 100 musicians from Africa and the Orient will participate in the festival, which takes place between July 6-18 as part of the *Summerscope* programme.

Radio 3 will broadcast nightly programmes, many live relays.

Radio/B. A. Young

Pirandellian themes

The Radio 3 searchlight was on Pirandello last week. On Sunday, a feature, *Crisis in the Mirror*, surveyed his approach to the drama, an approach conveyed in the title of one of his best known plays, *It's true if that's how you see it*. Doug Thompson, of Hull University, complained in his feature how little Pirandello is done here. Certainly, of the first 2,500 plays I reviewed in these pages, only 10 were by Pirandello, and these included three productions of *The Rules of the Game*. Radio 3 began its season with two plays unknown to me, one of them a British premiere.

On Friday, June 26 we had *No One Knows Why*, from 1935. In this, Romeo Daddi (David Suchet) has gone a little mad. This is at first explained by his recollection of having killed a boy when he was himself a boy, a crime committed when he was in a kind of trance, and never attributed to him. But as the talk goes on (and how it does!) it seems that he may also have seduced Ginevra Vanzi (Eleanor Bron), the wife of a naval officer friend, while in the same sort of trance. Moreover it may be that his wife Bice, known for her quiet honesty, may have had an affair too.

Accusations, counter-accusations and discussion of the trance issue go on until Romeo virtually charges the naval officer of having seduced Bice. But really it was all a dream; a dream isn't real; nothing has happened. The play, translated and adapted for radio by Felicity Firth, was well played by Mr Suchet, Miss Bron, Sean Barrett and Jackie Smith-Wood under Peter Cavanagh's direction, but it seemed to be a rather inflated treatment of a simple notion.

The premiere was *A Woman in Search of Herself* — originally Trovarsi, from 1932. This has a simpler, but equally Pirandellian, theme. The actress Donata Genzi surrenders herself utterly to every part she plays, but has no individuality off-stage. Then she elopes with irresponsible young Eli Nielsen. He demands her total devotion; on the stage she belongs to everyone else. But she returns to the theatre. And now when she plays a love scene for which she is famous she plays it in a new way — she makes love as she made love to Eli. Eli walks out and leaves her, but Donata feels that she has encountered a test and passed it. "The only truth is that we have to go on creating ourselves."

I found this a mor interesting play dramatically, even if its argument is familiar from Pirandello's other work. Gemma Jones was Donata, Jon Strickland was Eli, and the director was John Theochoris.

The Co-op in the Cornfield (Radio 4) was about the Beamish North of England open-air museum, the current Museum of the Year and nominated as European ditto. The Beamish Museum comprises an entire comunity, shops, streets, trams, a farm, even a coal mine, whose constituents have been moved from their original sites and assembled in a field in Co Durham. It is all disguised as if it belong to the 1920s, food packages in the Co-op and all. Tangible history, you might call it.

More Gershwin Years/Barbican Hall

David Murray

Last Thursday the penultimate concert in the London Symphony's Gershwin festival, conducted by Michael Tilson Thomas, found room for three soloists as well as a lusty male-voice quartet. The latter (Robert Tear, Stuart Kale, Alan Opie and Roderick Kennedy) were the supporting "family" for the anti-heroine of Kurt Weill's *Seven Deadly Sins*; they kept a nice ironic edge (and impressive pitch in their unaccompanied number). So did Julia Migenes, whose properly Lenya-style singing boasted good German, bags of personality and a microphone.

It was a pity that the Barbican programme-book for this whole series, as for others, missed out the Brecht words and included *only a sketchy summary*. Miss Migenes certainly transmitted the astringent tone — rather better than the orchestra, for the backward-placed woodwinds missed the due shrillness. I suspected that Donald Rose's arrangement of the overture to Gershwin's last musical, *Let 'em Eat Cake* (a sort of sequel to *Of Thee I Sing*), was blander than the original, too, but the music was enticing with its hints of chromatic Ravel and *Le Sacre*.

From the back of the platform the solo trumpet in Gershwin's Piano Concerto rang out in fine idiomatic style. Peter Donohoe was thoroughly reliable at the piano, as usual, though a few more touches of impertinent brightness would enliven his reading (and steelier repeated-notes — but perhaps it was only the acoustic that smudged them). Earlier, Larry Adler came on to smooch knowingly through a "Lullaby" that Gershwin wrote for string quartet around 1920, while the L.S.O. strings accompanied him perfectly straight: ten fairly bizarre minutes. The hammering Concerto came as a great relief.

Moray Welsh/Wigmore Hall

Andrew Clements

The care and the thought which lie behind Moray Welsh's interpretations of an enviably wide-ranging cello repertory are carried through into his programme planning also. His recital in the Wigmore Hall last Thursday with the pianist Martin Roscoe was conceived as an exploration of the vein of melancholy that runs through the cello literature of the late 19th and early 20th centuries, from Liszt to Rakhmaninov.

It was a fascinating journey, which touched upon some very dusty corners of writing for the instrument. An opening Busoni group cunningly interpolated two self-contained miniatures, the *Albumblatt* and the barcarolle-like *Serenata*, between three movements of the early *Kleine Suite*; none of the pieces was strongly characterised—what music of Busoni, the heretic asks, ever is?—and not all of it was especially melancholic, but Welsh's presentation was straightforward, light-fingered, unportentous. The weightier content of four items of late Liszt immediately allowed both partners greater expressive freedom. The undoubted centre of gravity was *La Lugubre Gondola*, in the composer's own version for cello and piano which they pursued to a baleful climax. They managed a Busoni arrangement of the *Valse oubliée* with great finessetoo, without ever suggesting that it is anything other than a pale imitation of the solo-piano original.

After the sequence of short items, steadily increasing in specific gravity, Welsh and Roscoe placed two cello sonatas — Fauré's in G minor Op 117, and the Rakhmaninov. The intelligence with which they had encapsulated such diverse scraps of Busoni and Liszt proved equally capable of coherent large-scale organisation. An impulsive spirit might have found Welsh's playing sometimes a little too controlled and clear-headed — his tone is by no means huge by current norms, and the big tunes of both composers can absorb plenty of beef.

But passages carrying the heaviest expressive freight, such as the arc of melody at the core of Fauré's slow movement, always preserved an acute awreness of the function and direction of every element. A thoroughly accomplished and enterprising concert.

Adelaide Festival plans for 1988

The Chicago Symphony Orchestra, Twyla Tharp Dance and Peter Brook's production of *The Mahabharata* are among the attractions of the 1988 Adelaide Festival that opens in early March for three weeks.

Sir Georg Solti, Michael Tilson Thomas and Dame Joan Sutherland, in her first appearance in Adelaide for a decade, are among the musicians scheduled for the bicentenary year Festival. Prokofiev's opera *The Fiery Angel* will receive its Australian premiere in a production by David Pountney for the State Opera of South Australia. Stuart Challender will conduct the Adelaide Symphony Orchestra and the cast is headed by Josephine Barstow as the possessed heroine.

Pierre Boulez will bring the Ensemble Intercontemporain for three concerts of 20th-century music. From Washington 71 paintings in the Phillips Collection in a rare foreign airing will form the exhibition entitled *Old Masters, New Visions* with works ranging from El Greco to Mark Rothko, including Corot and Constable, French Impressionists, Kandinsky and Klee, Georgia O'Keefe and Edward Hopper.

Announcing the Festival programme in London, Lord Harewood, the artistic director, compared Adelaide with Edinburgh, calling it "a perfect place for a festival".

Founded in 1960, the Festival complements its international programming with a Writers' Week and an Artists' Week. Lunchtime forums allow access to the stars and organisers. A further extensive schedule of local activities will be announced in October. M.H.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

July 3-9

LONDON

London Philharmonic Choir and Guildford Philharmonic Orchestra conducted by Richard Cooke. Holst, Vaughan Williams, Orff. Royal Festival Hall (Mon). (928 3191).

Music of the Royal Courts: Musicians from Mali. Queen Elizabeth Hall (Mon). (928 3191).

London Virtuosi: Handel, Vivaldi, Bach, Mozart. Mansion House, EC4. (Mon). (236 2801).

Philharmonia Orchestra conducted by Giuseppe Sinopoli with Salvatore Accardo, violin and Lynn Harrell, cello. Brahms. Royal Festival Hall (Tue).

Music of the Royal Courts: Musicians from Ethiopia.

Medici String Quartet: Haydn, Debussy and Schubert. Painters Hall, Little Trinity Lane, EC4. (Tue). (236 2801).

Royal Philharmonic Orchestra conducted by Paavo Berglund with Xue Wei, violin. Strauss, Sibelius and Beethoven. Barbican Hall (Wed). (638 8891).

London Mozart Players, London Choral Society and Pro Musica Chorus of London conducted by Jane Glover. Beethoven Missa Solemnis. Royal Festival Hall (Wed).

Music of the Royal Courts: Thailand. Queen Elizabeth Hall (Wed).

Music of the Royal Courts: India. Purcell Room 6pm and 10pm; Queen Elizabeth Hall 7.30pm. (Thur). (928 3191).

Count Basie Orchestra: Barbican Hall 7.45pm (Thur).

Guildhall String Ensemble with Michala Petri, recorder Mozart, Telemann, Vivaldi, Tchaikovsky. Guildhall Old Library EC2 (236 2801).

PARIS

Paul Kuentz choir and Orchestra, Eric Aubier, trumpet: Tartini, Vivaldi, Telemann, Perti, Bach (Tue). Saint-Severin Church (456 37955).

Philippe Bianconi, piano: Brahms, Ravel, Liszt (Thur 6.30pm). Musée d'Orsay (45494814 ext 4389).

ITALY

Spoleto: (30th festival of two worlds): Teatro caio Melisso: noontime chamber concerts every day of the festival.

Rome: Accademia di Francia (Piazza Trinita dei Monti) (Villa Medici Festival): Ex-Novo Ensemble conducted by Ambrosini with works by Jolas, Singier, Hurel, Girey and Manoury (Wed). (67611).

NEW YORK

Tanglewood: The King's Singers range over the renaissance to Jerome Kern (Thur). Lenox, Mass (413 637 1666).

CHICAGO

Ravinia Festival: Kathleen Battle soprano recital with James Levine. Purcell, Schubert, R. Strauss, Liszt (Tue); Andre Watts piano recital. All-Mozart programme (Wed); Hermann Prey baritone recital with James Levine. All-Schubert programme (Thur). Highland Park (728 4642).

WASHINGTON

Wolf Trap: New England Ragtime Ensemble (Mon). Vienna, Va. (703 255 1868).

TOKYO

Dame Kiri Te Kanawa. Song recital of works by Haydn, Handel, Mozart, Verdi, Puccini. Suntory Hall. (Mon) (293 1951).

New Japan Philharmonic Orchestra, conducted by Helmut Wolf. Britten's Requiem. Yukie Okura, soprano; Addbert Kraus, tenor; Hidenori Komatsu, bass. Tokyo Bunka Kaikan. (Mon). (985 4838/237 9990).

Mario Brunello, cello with Valery Afanassiev, piano. Schubert, Brahms, Rossini. Tokyo Bunka Kaikan Recital Hall. (Tue) (505 5222).

Valery Afanassiev, piano. Beethoven and G. Crumb. Sogetsu Hall, Aoyama Itchome. Tokyo Summer Music Festival. (Wed) (505 5222).

Sofia Solisten Chamber Orchestra. Bach, Mozart, Respighi, Boccherini, Haydn, Schubert. Tokyo Bunka Kaikan Recital Hall (Thurs) (402 1290).

NHK Symphony Orchestra, conducted by Hirohuki Iwaki with Michiko Akao, flute. A programme of contemporary Japanese music composed by Akira Miyoshi, Makoto Morio, Maki Ishii, Toru Takemitsu. Suntory Hall Subscription Concert. Suntory Hall (Thurs) (505 1001).

Saleroom/Antony Thorncroft

Chatsworth sell out

In 1984 the Duke of Devonshire precipitated a furore by selling 71 Old Master drawings from his collection at Chatsworth for £21m at Christie's after the British Museum refused to offer more than £5m for them. This evening 16 more drawings arrive at King St which should make the Duke at least £5m richer. The money is needed to maintain the house and estate.

The drawings have never been on show to the public and include works by Raphael, Veronese, Van Dyck and Rembrandt. They will be followed by a fine auction of Old Master drawings which will offer examples by Ingres, Guardi, Guercino, Goya and Rubens. Prices should be very high.

In complete contrast, on July 16 at South Kensington, Christie's is selling watercolours and drawings by an amateur artist, Albert Pile. He is no great craftsman, but meticulously recorded views of London and the English regions in the first half of this century. He delighted in scenes of demolition, and many of his drawings have considerable architectural interest. Most will cost between £50 and £100 and some are on show until July 10 at Christie's City office in Gresham St.

Other highlights in a busy week are the sale at Christie's on Friday of 14 classical sculptures from the now demolished Marlbury Hall near Nantwich, Cheshire, and a Byzantine mosaic of an apostles head which Sotheby's is offering on Thursday. The sculptures were collected by the Hon James Smith Barry around 1766, at the height of the Grand Tour, and consist, in the main, of Roman statues and busts from the 1st and 2nd centuries AD. The group should make around £500,000.

The Byzantine mosaic was found by a parish priest in a small church in Wales, St Anne's, Talygarn. Research suggests that it came from a mosaic of the Last Judgement from Santa Maria Assunta in Torcello and probably arrived in the UK in the mid-19th century. This rare 11th-century work of art is estimated to fetch £250,000.

This is the week of the big summer Old Master sales in London. Christie's has a large group of early Italian pictures —a rarity on the market these days—including a crucifixion by Spinello Aretino, working around 1400, which should top £100,000. Sotheby's expects bids in excess of £500,000 for a pair of paintings, "An Allegory of Europe" and "An Allegory of Asia," by the 18th-century French artist Jean-Baptiste Oudry. The other two in the set are at Versailles.

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Monday July 6 1987

Power and the press barons

LORD YOUNG's much criticised decision last week to allow News International to purchase the Today newspaper without a prior investigation by the UK Monopolies and Mergers Commission is certain to lead to calls in today's House of Commons debate for a change in the laws governing newspaper mergers. Much will be made of the "special" nature of the industry and the need to prevent an excessive concentration of power in the hands of a few press barons.

The disquiet is understandable. Newspapers do influence public opinion and their ownership does affect their political allegiance. Politicians and the public do therefore have a legitimate interest in the out come of takeover battles, especially when the balance of political allegiance of the major titles deviates so markedly from the voting pattern of the electorate.

The laws governing newspaper mergers were framed with these political realities in mind and are ostensibly tougher than those in other industries. A threatened market share of 25 per cent or more is usually the trigger for a possible investigation by the monopolies commission. But in the newspaper industry, the Trade Secretary, in theory, cannot give his consent to mergers involving more than a small share of the market (a combined circulation of ½m copies) without first ordering a full monopolies inquiry.

In practice, he can, because newspapers rarely change hands unless they are in grave economic difficulties, in which case a special let-out clause can be invoked in order to facilitate a rapid sale. This technicality was exploited last week in the Today decision and also in 1981 when Mr Rupert Murdoch gained control of the Times and the Sunday Times without an independent scrutiny by the competition authorities.

The public has a right to feel let down. A Government that never ceases to preach the virtues of competition has allowed Mr Murdoch, without challenge, to acquire titles accounting for around a third of total national newspaper sales in the UK. Moreover, although the special newspaper legislation clearly leaves much to be desired, the failure has mainly been one of political will.

Lord Young's haste to comply with an artificial deadline conjured up by a couple of entrepreneurs was both naive and undignified. He should have called their bluff and mocked the acumen of businessmen who value an asset at £38m today and nothing tomorrow. A reference to the monopolies commission was necessary and almost certainly would not have led to the closure of Today. Even if it had, the importance of 500 jobs can be overstated when a principle is at stake. Britain needs a competitive and diverse newspaper industry; it has little chance of getting one if the Government continues to shirk its responsibilities.

Where markets should rule

IN WASHINGTON, a decision last week to terminate a treaty with a Caribbean tax haven has threatened the good standing of many US borrowers overseas, and hundreds of millions of dollars have been wiped off the value of Eurobonds issued by American companies. The US Treasury was forced into a climbdown by Thursday, proposing legislation to excuse these bonds from the effects of the decision.

In London more than one year earlier, the government backed down on a proposal to introduce a 5 per cent tax on conversions of British shares into American Depositary Receipts, US securities representing shares of foreign companies. The aim was to stop British investment institutions using the New York markets to avoid UK stamp duty. But the tax was cut to 1.5 per cent after senior industrialists declared that the only beneficiaries would be their foreign competitors.

In Australia, the government decided last July to remove exemptions from withholding tax on most foreign borrowings. Within the same month, the decision was reversed after problems with overseas funding hit the domestic farm subsidies system.

Three decisions, three reversals, and proof that the speed of change in international markets continues to surpass the ability of governments to understand what is going on in them.

Government decisions, taken on domestic policy considerations and seemingly with limited consequences, may these days turn out to have a significant impact on international markets, whose verdict on the decision-maker can be harsh.

The outcry which followed the US decision to abrogate its treaty with the Netherlands Antilles was understandable and justifiable. To profess a commitment to free international capital flows and open financial markets, as the US has done, and then to take decisions that retroactively change the rules for international investors, is an unsupportable policy combination. The Treasury's belated move to introduce legislation which would preserve the existing tax status of the $30bn of bonds issued by US companies through the Antilles is thus to be applauded.

For good or ill, the so-called globalisation of financial markets limits the freedom of action of individual governments and governments must learn to live with it.

Western nations have already rightly realised the crucial interdependence of economic policy, and authorities are working towards better co-ordination of regulatory attitudes to their domestic banking systems and financial markets.

Now, the need is to broaden this process to all aspects of financial policy. The existing links, for example, between the Securities and Exchange Commission and Commodities Futures Trading Commission in the US and the UK Department of Trade and Industry are a significant step in this direction. Financial market participants need to be brought into the process.

Had the Treasury consulted more, the likelihood is that it could have prevented a week of disarray in the Eurobond market, and avoided an embarrasing partial reversal of its original move. More co-ordination over these issues is not a matter of adherence to some vague notion of international co-operation; it is a question of self-interest.

The punishment of Toshiba

TOSHIBA'S machine tool subsidiary damaged western security by selling equipment to the Soviet Union that enabled it to build much quieter submarines. The Japanese company is paying dearly for a flagrant abuse of Japanese law and of the informal vetting system designed to keep militarily useful technology out of the Communists' hands. But the case seems to have excited, both in the US and in Japan, a wave of hysteria and mutual recrimination out of all proportion to the offence.

When ten Congressmen take a sledgehammer to a Toshiba radio on the Capitol lawn, it suggests the security sin of one Japanese company is providing a pretext to attack the whole country for its commercial success in the US market.

The tally of Toshiba's penalties is already long. Both the chairman and president of the parent company resigned last week, despite having claimed they had no managerial responsibility for the offending subsidiary, Toshiba Machine. The subsidiary itself has been fined by the Japanese Government and barred from selling any goods to Communist countries for a year.

The Senate voted overwhelmingly last week to ban Toshiba's exports to the US and similar bills are being prepared in the House of Representatives. Norway's main defence contractor, the state-owned Kongsberg-Vaapenfabrikk, which stands accused of participating in the Toshiba deal, would be the subject of a similar order.

Yet international trade sanctions cannot be a sensible remedy for what is already a violation of national export control laws. For US Congressmen to use the affair as an opportunity to reinforce protectionist sentiment is wrong.

Penalties should be imposed on the basis of national laws and procedures. Beyond that, there is a case for re-examining the vetting list administered by Nato, with Japan, through the Co-ordinating Committee for Multilateral Export Controls (CoCom).

Although it is being slowly whittled down, the list is still far too long. For example, up to 5,000 of the 200,000 export licence applications handled in Tokyo every year are CoCom-related. A shorter list would not necessarily stop a determined offender, but it would make control far easier.

BRITAIN'S MINERS

The fight looks unwinnable

By Charles Leadbeater

THE PICTURESQUE Isle of Bute in the west of Scotland will this week host the National Union of Mineworkers' annual conference. It is likely to mark a turning point for the coal industry, the union and its leader Mr Arthur Scargill.

The key debates will centre on British Coal's drive to introduce new working arrangements to allow more intensive use of capital. Mr Scargill is opposed to the changes, and the conference seems certain to back him. Both the industry's and the union's futures are yet again on the line.

The battle will centre on South Wales, where British Coal's plans to develop a £90m, 1.2m tonnes-a-year pit at Margam are providing the first test of the corporation's determination to press ahead with extending production to six days a week.

The NUM is in an impossible position. A vote this week to oppose change would force the South Wales leadership either to defy the conference and its leader or risk seeing British Coal scrap the project. If Mr Scargill wins, then British Coal will have no alternative but to turn to other unions, such as the breakaway Union of Democratic Mineworkers, to negotiate the changes.

The union is facing two main pressures. The first is British Coal's strategy to change working practices, the most controversial element of which is the introduction of flexible shift patterns to raise productivity. British Coal has a list of 13 pits, including Margam, where it wants new shift arrangements.

At collieries such as Asfordby in Leicestershire, Harworth in Nottinghamshire, and Thorne in Yorkshire, for instance, the corporation wants to produce coal six days a week to ensure the most intensive use of a planned capital investment of £250m. Overall, miners will not work longer hours. But the proposed flexible shift pattern would involve weekend working.

Unless the changes are agreed, British Coal says the investment will not be made. It argues that the pits would be uneconomic under five-day production.

At other pits such as Westhoe and Wearmouth in the North East, the corporation wants to extend the daily shift by 1½ hours to nine hours. Miners at these pits spend almost 60 per cent of each shift travelling the 7 km to the coalface. New developments at these pits will be about 15 km from the bottom of the winding shaft. Longer shifts are the only way to raise the proportion of each shift devoted to coal production, says British Coal.

The rising capital costs of production make change inevitable, the corporation argues, with capital costs per tonne increasing to £140 at the new pits compared with £40 at existing pits. If unit costs are to be brought down, then capital must be used more intensively.

The industry also faces the threat of cheap imports from Australia, South Africa, China and South America where unit costs are low. World coal prices are denominated in US dollars and sterling's relative strength against the dollar has made British coal less competitive.

The second major pressure on the union comes from the breakaway Union of Democratic Mineworkers, based in Nottinghamshire. The willingness of the 25,000-strong union to negotiate has left the much larger NUM trailing in its wake. Mr Roy Lynk, the UDM's president, has made it clear his union is prepared to consider the introduction of flexible shifts at greenfield sites.

With several large new pits planned in the UDM heartland of Nottinghamshire and in the Midlands, the opportunities for the union to boost its membership are obvious. The NUM's weakness in the key Nottinghamshire coalfield is likely to become an increasingly painful thorn in its side.

Mr Scargill's response to both these pressures has typically been delivered from hard left tablets of stone. As Sir Robert Haslam puts it: "The older things are, the more he seems to revere them."

The NUM leader believes the 1908 Hours of Work Act and the 40-year-old five-day week agreement are vital safeguards for miners' interests. Six-day production was first mooted in the 1950s at the planned Beavercoates colliery. It is a measure of the NUM's strength that it has resisted the proposal for more than 30 years. He argues that British Coal's plans reflect not market pressures but a long-delayed drive to weaken the union.

While British Coal argues that lower unit costs will safeguard jobs, Mr Scargill is concerned that flexible shifts will lead to over 50,000 job losses as a result of productivity increases.

Mr Scargill's reasons for rejecting the corporation's proposals are clear. British Coal is increasingly seeking local agreements over working practices and productivity bonus schemes; it is a small step from there to local bargaining over flexible shifts. Mr Scargill is determined to maintain a central role for the national union and himself. He believes a membership ballot would support him even in South Wales where the rank and file are less enthusiastic about six-day working than their leaders.

This strategy is likely to provoke increasing tensions, as more areas face the prospect of job losses unless they agree to flexibility. South Wales will not wish to give up the 800 jobs promised at Margam despite Mr Scargill's opposition to flexibility, and Scottish leaders have a similar interest in the 1,000 jobs at the Seafield-Francis colliery. The Midlands area is unlikely to allow Mr Scargill to dictate that it should not enter negotiations over new pits planned in the area, as they could otherwise fall under UDM control.

Mr Scargill argues that the corporation plans to pick off vulnerable peripheral coalfields before pressing for changes in the key Yorkshire coalfield. Critics from South Wales and Scotland, however, retort that this is mere Yorkshire chauvinism. The NUM Yorkshire area has already accepted important changes in the Doncaster area, as well as potentially far-reaching amendments to working practices at the enormous Selby complex.

The critics argue that Mr Scargill wants to strengthen the dominance of his Yorkshire power base which, with 30,000 members, is by far the largest area of the union. Indeed, some South Wales activists believe that Mr Scargill is opposed to Margam because without it membership in the South Wales area will drop below 10,000 and the area will lose one of its two seats on the national executive.

The antagonisms likely to be provoked by Mr Scargill's approach to flexible working will add to discontent on the union's executive over his apparent unwillingness to negotiate a 1986 wage award, or a new conciliation agreement. As one put it: "Soon the members are going to start asking what the national union is there for."

The executive has become increasingly assertive since the end of the 1984-85 strike, but no coherent alternative has yet emerged to Mr Scargill. An indication of divisions on the executive came on Saturday when it split 10 votes to 10 on whether to recommend that conference vote against six-day working.

The first moves to establish an alternative strategy will be taken after the conference, as part of an initiative launched by Mr Peter Carter, the Communist Party's industrial organiser. Several NUM leaders have agreed to consider his proposals which closely reflect the views of the Scottish and South Wales NUM. They could provide the basis for left, centrist and right wing executive members uniting around a common strategy.

The proposals are that the union should accept that area and pit level negotiations have become more crucial than national talks, and aim to allow its strongest areas to set the trend for the rest of the industry. The national union would primarily service the areas with research and advice.

The plan will also propose that the NUM should accept a compromise with the UDM. Reunification should be pursued through local unity committees, and joint campaigns — for example, against privatisation of the electricity supply industry — where the two unions have common interests. It would commit the NUM to accept not to call a strike without a members' ballot and to introduce periodic re-election for all senior union officers strating with Mr Scargill.

The anti-Scargill groupings in the union have a strong pragmatic interest in reunification. Reincorporation of the UDM's 25,000 moderate members would be the most effective way to challenge the left wing leader.

Proponents of this initiative admit its chances of success are slim given the deep scars left by the strike. A merger would probably only take place in the unlikely event of both Mr Lynk and Mr Scargill standing down.

But it could provide a catalyst for new executive members, such as Mr Alan Cummings from the North East, to join with established figures such as Mr George Bolton and Mr Eric Clarke in Scotland, Mr Des Dutfield and Mr George Rees in South Wales, and Mr Gordon Butler from Derbyshire, to provide a coherent alternative to Mr Scargill.

The fate of this or any other proposal however rests in the hands of the leadership of the Yorkshire NUM. Mr Jack Taylor, the Yorkshire leader, has distanced himself from Mr Scargill, over the last two years. However, with one eye on militant critics in the coalfield Mr Taylor has yet to make his criticisms of the leader public.

His position may be eased somewhat by the election on to the executive of the one man who may prove to have the confidence and power to challenge Mr Scargill. He is Mr John Walsh, the popular, right-wing NUM organiser in the North Yorkshire coal field. Many in the union believe it is the prospect of Mr Walsh's rise to a high position within the union that will galvanise the non-Scargill left into agreeing an alternative strategy.

If such a strategy does not emerge the prospects for the union look bleak. Should areas of the union press ahead with six-day working in defiance of Mr Scargill, this would fragment the union further. Should Mr Scargill's authority prevail, then British Coal will have to turn to other unions willing to introduce the changes, or private non-union contractors. Either would seriously destabilise industrial relations in the industry.

According to Sir Robert, failure to introduce six-day working would have disastrous consequences.

The industry would not become financially self-sufficient; a privatised electricity supply industry would find cheap coal attractive; critics in Government would press for cuts in investment leading to privatisation. The industry and its main union would contract dramatically. The once-proud NUM might be forced to consider amalgamating with the Transport and General Workers' Union. As one disaffected NUM leader puts it: "Arthur has developed his own version of Japanese trade unionism—its called kamikaze unionism."

WHY BRITISH COAL NEEDS SIX-DAY PRODUCTION AT MARGAM

	5-Day production	6-Day production
Investment cost (Dec. 1986 £m)	79.9	79.9
Annual saleable output (tonnes m)	1.0	1.2
Operating cost per tonne (£)	33	30
Sale price per tonne (£)	39	39
Operating profit per tonne (£)	6	9
Interest charges per tonne (£) at 11.5%	9.20	7.67
Profit/(loss) after interest per tonne	(3.20)	1.33

Source: British Coal

PITS WHERE BRITISH COAL WANTS FLEXIBLE SHIFTS

Scotland—Seafield/Francis; Investment: £80m; Jobs: 1,000; Six-day production.
North East—Westhoe and Wearmouth collieries; Investment: £80m; Jobs: 1,000; Longer day shifts.
Yorkshire—Kellingley, Askern, Hatfield and Thorne; Investment: approx £400m; Jobs: 2,000; Six-day production.
Nottinghamshire—Harworth and Cotgrave collieries; Investment: approx £180m; Jobs: More than 1,000; Six-day production.
Leicestershire—Asfordby; Investment: approx £200m-£300m; Jobs: 1,400; Six-day production.
South Midlands—Hawhurst Moor colliery; Investment: £400m; Jobs: 1,800; Six-day production.
Staffordshire—Lea Hall; Investment: £80m; Jobs: 1,000; Six-day production.
South Wales—Margam; Investment: £90m; Jobs: 800; Six-day production.

Men and Matters

Heisbourg's strategic moves

The debate over turning France's long-standing Gaullist defence policy in a more European direction, has been given added impetus by an article in the latest issue of Politique Internationale.

The status quo has been rendered impossible, according to the author, Francois Heisbourg, by the many shifts in the external environment: the novelty of Soviet policy under Gorbachev, the uncertainty of the American response, the budgetary pressures which are likely to lead to cuts in the US forces in Europe, and the resulting anxieties in the European half of the Alliance.

In response to these new circumstances, Heisbourg argues that France should make a public commitment to the automatic engagement of French forces in the event of a conflict in Europe. This would be a major break with the Gaullist doctrine that France must reserve the right to decide on the day whether to take part in a war in Europe.

In addition, he urges cooperation with Britain on the development of a new generation of supersonic air-launched cruise missiles and, in the event of the withdrawal of a modest number of US troops (up to 50,000), their replacement by French forces.

The article, which has been described by a European diplomat as "one of the most impressive contributions to the debate in recent years," is also notable because Heisbourg is among France's best-known strategic analysts. During the first four years of the Socialist Government, he was in the cabinet of Charles Hernu, the Defence Minister, and he is now clearing his desk at Thomson International, in order to take up his new appointment in the autumn as director of the London - based International Institute for Strategic Studies.

The fact that the IISS, which is strongly influenced by Anglo-American orthodoxy, should have selected a Frenchman, is indicative of the shifts in the international scenery as well as of Heisbourg's personal qualities.

He is no ordinary Frenchman: his mother is French, but his father is a retired Luxembourg diplomat; he was born in London, spent six years in the US school system, and, as a result, speaks impeccable English. But it was not until he came of age that he opted for French nationality.

His readiness to challenge Gaullist orthodoxy in French defence policy obviously owes a lot to his links with the Socialist Party, but it may also have something to do with the fact that his father's career included the job in London of secretary-general of Western European Union, the precursor of Nato now being revived as the vehicle for defence co-operation in Europe.

As a French diplomat, Heisbourg is careful to give nothing away about his future plans for the IISS. But there is no doubt that this six-foot-two-inch, 38-year-old graduate of Sciences-Po and the Ecole Nationale d'Administration, is formidably well equipped to lead the debate over how the West should respond to Gorbachev.

Summer tasks

A traditional exception to the summer exodus from Paris is the Minister for the Budget. Alain Juppe, who has held the post since the current administration came to power in April last year, will be at his desk for most of July and August. Worse still, he has to put up with the continuing din from the pneumatic drills in the main courtyard of the Louvre, preparing the extension of the museum and the erection of the glass pyramid.

Budget ministers work through the summer because under the constitution the budget has to be put to the National Assembly early in the autumn. Juppe is planning to hold expenditure increases below the anticipated inflation rate next year of 2 per cent and to cut the budget deficit by FFr 15bn to FFr 115bn.

Today he has his final negotiating session with the spending ministers when he meets Philippe Seguin, Social Affairs and Employment Minister, over the size next year of the Government's job creation plan for the young—a sensitive issue in an election year.

Juppe has not had great difficulties in his bargaining with his colleagues and does not anticipate any greater problems when the Budget goes before the Parliament. The centrists have none-the-less said they will press the Administration to give stronger fiscal incentives for investment.

Still only in his early 40s, Alain Juppe is one of the younger and most successful ministers in Jacques Chirac's Government. Budget ministers have in the past risen to high positions — Valery Giscard d'Estaing rose to be President and Laurent Fabius became Prime Minister.

"I think he's saying something about us being a nation of housewives"

Paribas' Pierre

One of the world's largest constituencies now has its representative. Roselyne Pierre, a 52-year-old Paris stockbroker, has been named as a new board member at Paribas to look after the interests of the myriad small shareholders in the recently privatised French banking group.

Co-opted to the board this time around, Mrs Pierre has 10 months before the next Paribas annual general meeting in which to win the votes of her 3.1m constituents.

Among the other privatised companies, Credit Commercial de France and St Gobain have already appointed board members to represent the small investor, but in both cases the eventual choice was barely distinguishable from the usual club membership of retired judges and civil servants.

Paribas tried harder and eventually hit on someone who has been described as "La Pasionara of popular capitalism" and who has 20 years of campaigning for the smaller investor to her credit.

Author of "The stock exchange within your reach," Mrs Pierre also founded the first women's investment club in France and has sponsored similar women's clubs in the UK, Belgium, Italy and Spain.

With her appointment at Paribas she has marked another step forward, for the notoriously masculine bank has never before allowed a woman into the boardroom of its elegant headquarters in Paris's Rue d'Antin.

Admitting only to ski-ing, Mrs Pierre is also a member of the French explorers and travellers club, joining her husband Bernard, whose exploits in the Andes and the Himalayas made him famous long before he became a stockbroker.

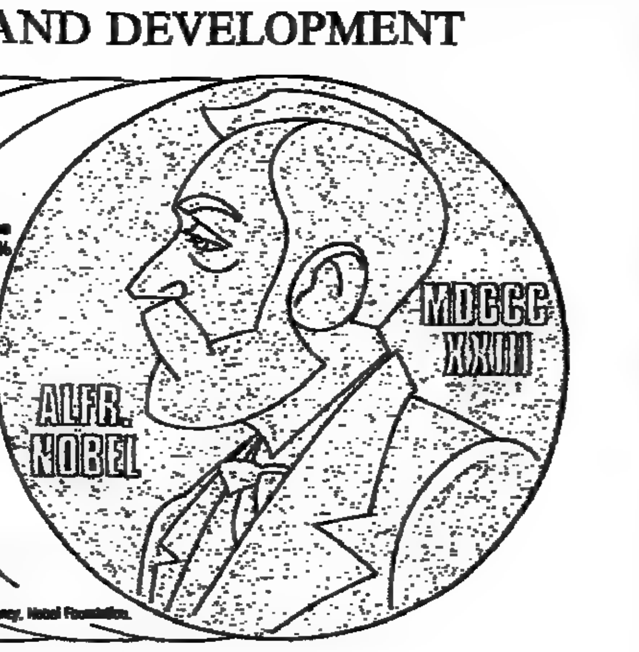
Observer

JAPANESE RESEARCH AND DEVELOPMENT

How countries compare

	Nobel prize winners in science	Scientists & engineers (million)	Total R & D spending (yen trillion)	Non-defence R & D as % of GNP
US	139	2.6	26	1.9
UK	62	0.7	3	1.6
France	23	0.4	3	1.8
W. Germany	52*	0.6	4	2.5
Japan	4	0.9	8	2.6

* Includes all German prize winners before 1945.
Source: US National Science Foundation, Japanese Science & Technology Agency, Nobel Foundation.



The search for some home-grown heroes

By Peter Marsh

A SMILE lights up the face of Mr Koichiro Tamura, a director at Japan's biggest government research centre, when he is asked about collaboration with companies.

In an admission that would probably bring him the sack were he working in government research in the US or UK, the amiable director of research planning of the Electrotechnical Laboratory confesses that none of his own technical projects, in a 20-year career, have reached fruition in industry.

"We don't see it as our role to do work of immediate commercial significance," says Mr Tamura. "The goal is to do original research."

After two decades of all-out effort in technology, in which the Japanese have caught up with and in some cases outshone the west, the current drive in Japan is towards breakthroughs in pure science, in areas such as new materials and biochemistry which are unrelated to short-term industrial needs.

The aim is enshrined in concrete at Tsukuba Science City, a gleaming new town an hour's drive from Tokyo, which houses dozens of Government research centres, including the Electrotechnical Laboratory.

The city, completed in 1980 at a cost to the Japanese taxpayer of some $8bn, "has heightened the visibility" of science, says Mr Tamura. He points out with pride that luminaries, such as Mrs *Thatcher* and *President Mitterrand*, have been to Tskuba and been impressed.

Sentiments about the worth of scientific activities spill out of a stream of Government documents, which call for the 1980s to be a "decade of innovation" for Japan. And the same thrust is behind proposals for a grandiose international programme in medicine and bioscience, the Human Frontiers project. The scheme would involve researchers around the world, but be led by Japanese scientists.

Behind these idealistic-sounding activities are some hard economic and political objectives.

Japanese spending on research and development (R and D), which in absolute terms is second only to that of the US, is heavily oriented towards short-term industrial applications.

Roughly three-quarters of the country's R and D spending, which in 1985 totalled Y7,890bn (£34bn) is contributed by industry, while the comparable fraction in western Europe and the US is about half. Only 15 per cent of the total budget is directed at "basic" or non-applied research.

The accent on industrial needs is made even sharper by the low sums spent in Japan on military research, which in the US, France and Britain accounts for around a quarter of each country's total R and D outlay.

The number of R and D workers in Japan has been climbing by about 7 per cent a year, far above the level in other industrialised nations in recent years. Dr Michiyuki Uenohara, vice-president and director of research at NEC, the electronics company, says that this rapid expansion will automatically lead to exciting discoveries in science.

But the amount of R and D carried out in industrial laboratories, tied to commercial objectives, has begun to cause anxiety. Critics say the industries of the 21st century, in "knowledge-based" activties like artificial intelligence and genetically-engineered pharmaceuticals, will need to feed off pure science research, which lends itself to government laboratories and universities.

To provide for the future of such industries, many believe the country should strengthen its efforts in non-applied areas. "Just as we caught up with the US and Europe, so countries like Taiwan and South Korea are catching up with us," says Mr Keichi Oshima, an adviser to the Ministry of International Trade and Industry, and chairman of Technova, a Tokyo-based research group. "To survive, we have to be more innovative in science."

The argument is that extra money for basic science is less important than the need to inculcate new attitudes among the researchers who do the work. In consensus-ridden Japan, they are deemed relatively unlikely to go out on a limb with an idea.

Another objective behind the new thrust is related to the frequently heard—and perhape unfair—rebuke that the nation has exploited scientific ideas which originated in other countries.

The invective is particularly fierce in the US, where it has been stoked up by allegations of unfair trading. Some Japanese fear that the ill-feeling could ultimately lead to restrictions on the flow of scientific and technical information reaching their fair shares, either through government-inspired curbs on technology transfer or, at the very least, through stiff price increases for licensing deals.

Behind the debate over pure science activities is the question of whether Japan is capable of making fundamental advances in these areas. Commentators in the west often argue that, where R and D is concerned, Japan is a nation of imitators and will find it difficult to adjust its focus towards original work. Evidence for this point of view comes from the country's poor performance in winning Nobel prizes in science and technology.

As a riposte, Professor Gene Gregory, an American who has monitored technology developments in Japan for 30 years, says that the relative lack of achievement up to now in basic science has little to do with the country's abilities in innovative thinking, in which he says it has excelled in a variety of areas, from materials to electronics.

Japan's preoccupations in the past, says Professor Gregory, chairman of the department of comparative culture at Sophia University in Tokyo, have been not with making scientific leaps but with improving technical ideas in order to advance economically. "Their needs were elsewhere. You can't eat Nobel prizes," he says.

Professor Kent Bowen, a materials expert at Massachusetts Institute of Technology, who has close contacts with Japan, says: "The Japanese system may not have inspired creativity — but then it wasn't geared to creativity. Now it's changing, they'll deliver."

One of the main reasons for Professor Bowen's optimism is, he says, the deep interest in science and technology among all sections of the Japanese population. A recent three-day fair on ceramic materials — a subject which in Britain would be regarded as mindcrushingly boring — drew no fewer than 200,000 visitors.

Many Japanese worry, however, that despite official exhortations to develop original thinking in science, the general level of bureaucracy in industry and government laboratories, together with the regimented style of schools and universities, will prove highly resistant to change, at least for a decade or so. As a result, it may be harder to produce the bright, individualistic researchers needed to push the country's scientific base into new areas.

"It's difficult to grow heroes," admits Dr Genya Chiba, head of a Japanese Government programme called ERATO intended to develop research drives in fields including crystal production, polymers and bio-electronics. Dr Chiba says he wants to attract this kind of person to his programme as a way of inspiring other researchers to follow new trends.

Most unusually in Japanese society, which is dominated by group structures rather than individuals, ERATO's official brochure lists each of its research projects under the name of the person in charge. What is more, the names are spelt out in capital letters and accompanied by big, colour photographs of the individual concerned, as though the scientists were pop stars or famous footballers.

Fitting into Dr Chiba's ideas about charismatic leaders is Professor Jun-Ichi Nishizawa, an electronics specialist at Tohoku University, who leads one of the ERATO projects. Professor Nishizawa is regarded as one of Japan's most brilliant scientists, Nobel-prize winning material. He is also thought of as something of a maverick, who likes being outspoken and stirring things up.

The professor, who has been responsible for a series of scientific advances in areas such as semiconductor physics and optical fibres, and who works with companies such as Yamaha, Mitsubishi and Hitachi, says he is pessimistic about the chances of Japan making a success of its drive into pure science. "Education in Japan is very systemised. It's too much geared towards accumulating knowledge rather than deepening awareness.'

Other observers, however, point to the rapid changes among the more youthful sections of Japanese society, who may well shake up the older generation into adopting less rigid ways in scientific research. Mr Kazu Adachi, president of Intelligent Wave, a successful software company whose employees eschew tre bureaucratic approach of the better established *Japanese electronics* concerns, says younger researchers "are pressing for more freedom. They are becomin gwesternised — they are becoming more selfish.'

Professor Shoji Tanaka, a leading Japanese superconductivity expert who is among the country's most venerable researchers is in no doubt about which way the country is heading. Speaking in his indescribably cluttered study at Tokyo University Professor Tanaka *says: 'For a long time* the Japanese people had the feeling they were behind in science. But now the inferiority complex is starting to vanish.

"We do have a relatively inflexible university system. But competition is harpening things up. The young people are changing and will force their professors to adopt different ideas."

Lombard

Fiscal policy, a timely plan

By Samuel Brittan

ONE SO-CALLED problem beginning to be discussed by City analysts is how the Government should react if the Public Sector Borowing Requirement undershoots the £4bn target set by the Chancellor for the current financial year and the one immediately following.

Should such a fiscal dividend be used to move towards eliminating the published PSBR? Or should it be used to cut taxes or to increase spending on fashionable programmes such as education or the inner cities?

But before going any further we should also consider a very different set of problems. The London Business School June Economic Outlook examines the possible effect on the British economy, of a (not very draconian) world growth recession.

What is the impact on Britain? It not only makes British output and employment less than they otherwise would be, but also puts downward pressure on sterling.

The LBS simulation has two variants. In one base rates are raised to limit the fall in sterling; and British inflation is actually less than in the no-recession base forecast. On the other hand output is curbed and the fall in unemployment brought to a halt.

In the second variant base rates are not raised. Sterling *is allowed to fall. British output* and employment perform better, but the performance on inflation is not so good.

Missing from the LBS Focus is a third possible response; namely to combine a firm exchange rate and interest rate policy with a temporary relaxation of fiscal policy to offset some of the impact of world recession.

The problems of an undershooting PSBR and of the impact of a world recession on the UK are different and almost opposite, but there is a fiscal strategy which would encompass both of them. This starts from the recollection that the original target of a £4bn PSBR, or 1 per cent of GDP is partly cosmetic, for it depends on £5bn per annum of privatisation proceeds.

My suggested strategy is to fix a PSBR objective of 1 per cent of GDP, to be achieved *without taking credit for privatisation.* Instead of being the dim and distant aim which appeared in the budget speech, this should be promoted as an objective to be achieved "as soon as conditions permit."

The new target would depend on the assumption that the British economy remains on course. So long as there is no world or British recession, and the danger remains more one of excessive than of deficient demand, then the achievement of the new objective would take precedence.

It would mean a zero PSBR or slight surplus as conventionally calculated; and this aim would take precedence over both tax cuts and public spending concessions.

The other half of the suggestion is that this very severe fiscal objective should be tied to the achievement of some projected growth rate of nominal or real GDP.

If growth is below what was projected, the PSBR should be allowed to overshoot and the attainment of the pure 1 per cent objective deferred.

Quite apart from the obvious justification of this derogation on demand management lines, there is also a more fashionable justification. It is that the Government, like other bodies, should plan on the basis of long term (or "permanent") income and may legitimately *borrow externally or internally* to offset a temporary or emergency shortfall. The other side of the coin is it should not spend temporary windfalls.

The two sides of the strategy hang together rather well. For the most convincing justification for a severe a PSBR as 1 per cent of GDP without privatisation, is that the Government is then in a fiscal position strong enough to contemplate vigorous anti-recession policies, which are denied to administrations hagridden by problems of deficit and debt.

Be severe in using fiscal policy to reduce the underlying Budget deficit, but be generous in departing from this guideline to offset recession. Anyone who thinks such a strategy mere common sense will be astonished at the number of intellectual vested interests it manages to offend.

Letters to the Editor

Brain drain effects

From Dr A. Rogers

Sir,—David Fishlock's two articles (June 30) about the Royal Society's report on the so-called "brain drain" conclude that the loss of UK scientists overseas is too small to warrant concern, and is almost compensated for by the arrival *of scientists here from abroad.*

I only wish such complacency were justified. Anyone who has, as I have, been in in UK university science departments for the past decade, will not share such complacency, because we have to live with what is left behind; and what is left behind is department after department with distorted age profile. Holders of permanent posts are almost all well into their forties; younger people, who emerged into the system during in contracting phase (which began in the late 1970s, with accelerated contraction under this Government) have faced an almost total freeze on permanent posts, and live a hand to mouth existence on short-term contracts, often with no possibility of renewal. It is the best of these young people, those good enough to be offered permanent posts in the US (which are not easy to obtain), who are the chief contributors to the brain drain. These are precisely the people that this country can least afford to lose.

Government cuts in funding may or may not be effective in removing "dead wood" from the universities. What is certain is that they are extremely effective in preventing the live, new wood of the rising generation from playing its part in the system. If these policies go "on and on" for another decade the universities will have lost their capacity for renewing themselves; leaving aside wider issues, such as the place of scholarship in a civilised country, the economic consequences will be staggering.

(Dr) Alice Rogers.
21 Keyes Road, N2 W

Management education

From the Director General, British Institute of Management

Sir,—Your letters page (June 25) on the date of the Queen's Speech captured some of the most pressing problems facing the nation: the needs of the inner cities, student skills, and the making of managers.

This institute welcomes the Government's proposals to tackle the first two problems but we are surprised at its continued lack of a whole-hearted public commitment to management education.

A new climate of enterprise and initiative is certainly needed for the whole nation—not least in the inner cities—but in the last analysis it is the quality of British management which will determine whether or not the Government's radical plans succeed. Business and managers in industry, commerce and the public sector must all play their part: Government resolve to support massively increasing management education at all levels is also essential. Perhaps Mr Baker could start with including business studies in the core curriculum?

Peter Benton.
Management House,
Cottingham Road,
Corby, Northants.

Reducing the poll tax

From Dr R. Reisler

Sir, Having listened to all the discussions about the merits and demerits of the forthcoming poll tax as an alternative to the rates and of the possibility of disallowing mortgage interest relief, I wondered whether it had occurred to anybody that if both situations were combined the net result would be that those with houses and a mortgage would cease to obtain an unfair benefit while the poll tax could be reduced to reasonable levels.

(Dr) Ronald Reisler,
11, Hollywood,
Stamford Road,
Bowdon, Cheshire.

Use of a river

From the Secretary, Higher Avon Navigation Trust

Sir,—Mr Henry Crowther (June 26) puts forward a number of opinions, but unfortunately presents them as incontrovertible facts.

The higher Avon may not be a statutory navigation but there is ample evidence of public use over many years of the majority of the waterway, in my opinion sufficient to have established a public right by prescription, if not from time immemoral.

The only places where public rights may not exist are where Madame Tussaud's owns both banks and, just possibly, Charlecote Park—although no obstruction to free navigation has existed there for many years.

On the question of riparian rights Mr Crowther is clearly unaware that the very point he mentions was subject to a 3 day hearing before the Examiners of Private Bills in January 1979 in connection with the promotion of an earlier Bill (not, in the event, enacted). It was held that the declaration of a free river did not amount to an interference with private rights so as to confer any locus standi on riparian owners. If they wish to oppose such a Bill they must petition like any other objector.

I have attended meetings with *representatives of the National* Trust to discuss this waterway and did not leave with an impression of the implacable opposition described by Mr Crowther—indeed such opposition would be surprising in a body which owns many properties adjacent to public navigations, and which supported inland navigation to the extent of acquiring and running the Southern Stratford Canal for over 20 years. It is hardly surprising that the National Trust declares a preference for the status quo while the scheme is such a hot potato locally, and completion of it remains uncertain.

N. Q. Grazebrok.
Step Cottage,
Wolverley,
Kidedrminster, Worcs.

An arresting juxtaposition

From Mr B Fish

Sir, — There is an arresting juxtaposition of reports in your issue of June 29.

In the first, Mr Knapp's National Union of Railwaymen advocates the employment of 10,000 extra staff to reduce complaints. As a much-travelled rail way customer, my imagination boggles at the thought of even more people standing around apparently indifferent to the late running of their trains and, in many cases, resenting all enquiries about the problems.

In the second, you report the ending of the severence scheme for dockers in Liverpool. In its third term, this Government must repeal (with compensatory provisions) the Dockwork Regulation Act, by which a few over 10,000 men are taken outside all normal employment legislation.

Brian H. Fish.
14 Stoke Hill, Stoke Bishop, Bristol.

Privatising water

From Mr R. Burden

Sir, — I read with interest (July 1 the chairman of Severn Trent Water Authority's defence of Government plans to split up and sell off Britain's water service. Mr Bellak's political loyalty to the Government on this matter is really quite touching — particularly as he appears to be virtually alone within the water industry in both his interpretation of and support for the Ridley privatisation plan.

If Messrs Bellak and Ridley want to do a double act, though, they might sound a lot more convincing if they sang the same tune. In announcing the privatisation plan, Nicholas Ridley stated that his proposals represented "a significant departure from the principle of integrated river basin management which was instituted on the reorganisation of the water industry in 1974." In welcoming the proposals meanwhile, John Bellak asserted: "The principle of total river basin management, successful and universally supported since its introduction in 1974 will be continued."

It would all be rather amusing were it not for the fact that such people are prejudicing the future of a vital public service on which the health of the nation depends. The Government had a red-faced defeat on water privatisation last year. It is in everyone's interests that *they are no more successful* this time.

Richard Burden.
District Officer, National and Local Government Officers' Association.
7th Floor Tower Block,
City Centre,
7, Hill St, Birmingham.

A mercy for neighbours

From Mr T. Aldridge.

Sir,—Help is in sight for owners of buildings with a wall running along their property boundary. You had to tell your correspondent ("to the scaffold," June 27), who sought advice because he had to erect scaffolding on next door property to repoint the wall of his house, that he had no automatic right to enter his neighbour's land. Indeed, in the absence of a right established in the deeds or by long use, "the law offers no solution and you are at your neighbour's mercy."

This is a weakness in the law that the Law Commission has recognised, and in 1985 we published proposals to change the law. Briefly, our suggestion was that if neighbours cannot agree, the building owner could get an "access order" from a court, entitling him to go next door to do necessary maintenance work. Safeguards for the neighbour were built into the proposal: there would be no order if it would cause unreasonable hardship and the court could impose conditions to minimise inconvenience and to provide compensation for damage or injury.

Our report includes a draft Parliamentary Bill, ready to introduce the legislation needed to implement our recommendations. The problem raised with you illustrates once again that this is a reform which many property owners need.

Trevor M. Aldridge.
Law Commission,
37-38 John Street, WC1.

FINANCIAL TIMES

Monday July 6 1987

Roderick Oram
on Wall Street

A rich diversity of views

AS WALL STREET trudges back to work this morning after another festive Independence Day weekend, some people may shudder at the memory of the cold bath they took this day a year ago. The exuberant market mood which had led up to the spectacular rededication of the Statue of Liberty turned instantly to gloom as the Dow Jones industrial average plunged 62 points.

One man, more than any other guru, was responsible for the dousing. Mr John Mendelson, head of research at Dean Witter, had spent the weekend mulling over the market as he sailed on a Vermont lake. The highly respected market timer passed on his very bearish conclusions to his clients first thing Monday morning and the news spread like wildfire around the market.

It was a rocky start to the stock market's difficult second half of last year. The Dow industrials made no further progress, on balance, through the rest of the year and suffered some stunning setbacks on the way, particularly the 120 point drop on September 11 and 12 in an avalanche of trading.

While opinions vary widely on where stocks will be at the end this year's second half, concern about an equally turbulent time is shared by many analysts.

"The market is vulnerable to a huge sell-off with a 300 point decline compressed into a few weeks," said Mr Michael Metz, managing director of Oppenheimer & Co. He believes the sharp correction will be triggered when a 'long overdue short-term change in psychology' pushes down derivative instruments such as stock index futures to a big discount to the cash market.

The role of stock index futures and other derivative instruments in last September's rout was hotly debated. The Securities and Exchange Commission concluded it was not to blame for the collapse in share prices but it might have accelerated it.

Although the market will recover from the setback, it will have overall 'a slightly downward bias for the rest of the year. It has fully discounted all the known positives.' Some spice will be added by an increase in takeovers, perhaps with Japanese suitors becoming more prominent, and speculation in secondary stocks which continue to lag the performance of the blue chips.

Mr Larry Wachtel, a Prudential-Bache market analyst, similarly expects a rough patch, probably during the third quarter when prices could fall some 8 or 9 per cent as they did in April and May.

By year-end, though, the Dow Industrials could be around 2,600, a gain of some 200 points in the second half, he predicts. He, too, sees the advance narrowly focused on the blue chips.

Such gains would be icing on this year's already rich cake. The Dow rose 522 points, or 27 per cent, in the first half. Most of that came in January's rocket-like ascent and it rose only 4.9 per cent in the second quarter.

Broader market indices have performed similarly, although secondary stocks laboured in the past three months with the American Stock Exchange composite index rising only 1.6 per cent and the Nasdaq over-the-counter index falling 1.3 per cent.

Typical of the generally favourable outlook is the forecast from Merrill Lynch. It sees the Dow hitting 3,000 in the next 12 to 18 months although it expects 'some sort of adjustment' in the interim which could be as severe as a 15 per cent correction. It argues that further rises will be fuelled by growing profits.

Thus while the stocks in the Standard & Poor's 500 index are trading at 19.2 times estimated 1987 earnings, they look better value in terms of their 15.7 times forecast 1988 profits.

While other bears have gone into hibernation through this past year's bullishness, Mr Mendelson has stuck to his charts, judging by his writings. He has proved increasingly reluctant to talk to the press, but many of his loyal followers say he has given them good advice about how to play the markets despite his negative overall view.

The other man of unwavering conviction is Mr Robert Prechter but he stands at the opposite extreme. Currently one of the most closely followed forecasters, his studies of Elliott Wave theories of investor psychology still point to a 3,600 top to the great bull market near the end of next year.

The present 'corrective or choppy' phase should give way by mid to late August to 'an extremely powerful acceleration on the upside,' he forecasts, with blue chips far outperforming secondary stocks.

He makes his predictions from a lakeside home-cum-office in rural Georgia. But Wall Streeters need have no fear he took to the water over the weekend. He planned to spend it on shore writing his monthly newsletter.

John Elliott *explains why Pakistani ministers are obliged to do penance*

Zia sidesteps blame for budget

TEN YEARS after General Zia ul-Haq, President of Pakistan, seized power in a military coup, his government recently suffered the unusual humiliation of being forced by public demonstrations and political protests to withdraw its annual budget and put forward alternative measures for tackling the country's endemic public deficit problems.

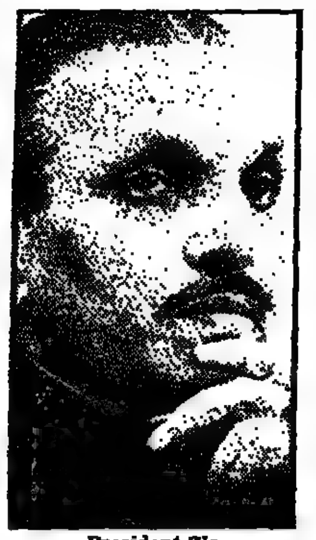
"With characteristic political skill developed since his coup 10 years ago yesterday, President Zia avoided any blame for the embarrassing fiasco and stayed in the background. It was Mr Mohammed Khan Junejo, the Prime Minister, who took the flak and withdrew the proposals within four days, rapidly producing a slightly smaller alternative for the original Rs 175bn (£6.25bn) budget.

"Faced with a need for higher government revenues and lower spending, Mr Junejo is doing a penance. He and other ministers and officials are ostentatiously driving around in small cars and are foregoing first class airline seats. There are also other economies, all of which, however, scarcely skim the surface of Pakistan's under-funded overspending which produced an overall budget deficit in 1986-87 of Rs 45bn, 8 per cent of GDP.

"Perhaps significantly for a country which has been under direct or indirect military rule for 10 years, it was the imposition of a "defence tax" surcharge which caused the outcry. This was a cumulative 5 per cent surcharge on imports, excise duty, and income tax, which would ultimately boost prices of some goods by over 15 per cent. Retail prices, including bottles of soft drinks on a day when temperatures were above 100F, immediately soared by up to 30 per cent or more, and street protests began.

Mr Junejo and his colleagues had wrongly assumed that all Pakistanis, with their country beset on one side by Soviet troops in Afghanistan and on the other by a belligerent India, would gladly pay more in the name of the nation's defence, and even tolerate the surcharge raising Rs 11.3bn a year when defence spending was budgeted to rise by only Rs 5bn.

Defence spending currently totals Rs 40-45bn a year and takes up 26 per cent of the current expenditure budget. It amounts to 6.6 per cent of GDP, roughly the same as spending on development, and slightly more than the other big drain on the exchequer, debt servicing, which has been rising sharply and takes 21 per cent.



President Zia

So the defence surcharge was a desperate attempt by bureaucrats to deal with the country's serious problem of resource mobilisation. Its aim was to raise substantial funds within an extremely narrow tax base, which is not being reformed for political expediency, and a corrupt collection system.

"Pakistan's other major indicators are buoyant. There is sustained economic growth at 6 to 6.5 per cent, although this might be hit by recent rains harming the crucial wheat crop. Inflation until the budget was only 4.5 to 5 per cent.

Exports, boosted by demand for cotton, are rising this year by 17 to 18 per cent and imports are declining at about 7 per cent. But this could change dramatically next year, with export growth possibly falling to 5 per cent. A new three-year trade policy was announced on Monday in an attempt to sustain the improvements.

The Pakistan economy, heavily supported by US aid, puzzles many observers, including economists. "Every time you look at it, it's okay, but there are always basic things wrong and dangers ahead, emphasising its fragility. But these things never actually bring it down", says one international expert.

The World Bank's annual review recently described the economy as "structurally weak" in the short term. It cited increasing concentration of exports in limited areas such as textiles, a growing foreign debt service ratio (21 per cent), "fragile" balance of payments (a current account deficit amounting to a record 5 per cent of gnp in 1984-5 and 3.1 per cent last year).

Remittances from Pakistanis working overseas are causing concern, following a decline in Middle East oil prices. Remittances act as a driving force for demand in the economy, as well as being a major contributor to the balance of payments, but are falling by 10 to 12 per cent or more a year. This year their total is about $2.3bn, which could fall as low as $1.5bn, according to some government economists, before recovering.

In the medium term there are other problems. Pakistan's population of 99.2m is growing at 3.1 per cent, faster even than that of nearby Bangladesh, and one of the highest rates in the world. Literacy is low, around 26 per cent, with a dearth of primary education.

But most serious of all is the growing deficit, up to 8 per cent of gdp this year from 5 per cent in 1981-82, and causing growing domestic and foreign debt problems.

Domestic savings, in a consumer-oriented Muslim country with no cultural tradition of saving, amount to only 14 per cent (of GDP). The World Bank and International Monetary Fund estimate 16 to 20 per cent is needed. Neighbouring India and China achieve 23 and 25 per cent.

Only about 1 per cent of the population is in the tax net and tax collection has been stagnant at 13 per cent of GNP for 20 years. It is officially estimated that more income tax is evaded that collected, with annual evasion possibly totalling Rs 16bn to 17bn, compared with only Rs 15bn collected.

Corruption pervades all sections of the government, including the armed forces, and has recently led to the resignation or dismissal of three ministers and several senior officials.

To stimulate debate, Mr Mabubul Haq, Commerce and Planning Minister, has made an unsubstantiated estimate that government officials siphon off Rs 20bn a year - and maybe even Rs 40bn - through devices such as under-billing, fiddling tax collection, commission on illicit imports and misuse of food rationing cards.

Economists generally agree that the tax problem would be substantially eased if some form of tax was introduced for agriculture, at present untaxed, which contributes 25 per cent to gdp and earns about 70 per cent of the country's exports.

The State Bank of Pakistan - the country's reserve bank - strongly hinted in its last annual report that one should be introduced. But half the country's MPs are landowners, and the rural poor might also be hurt.

The revolt over the tax surcharge was, however, a warning shot to the Government that the small section of the population paying taxes and other duties is capable of uttering a battle cry, as one politician put it, that "enough is enough - tax those outside the net before you come back to us for more". So a debate about tax reform and evasion has been started.

But President Zia has a strong instinct for political survival, which involves avoiding reforms that might destabilise his regime in any way. So he will probably want Mr Junejo, whose administration might have fallen but for its military backing, not to do anything so radical - and to be more careful with his budgets in future.

Midland admits evidence of Big Bang bug

BY NICK BUNKER IN LONDON

MIDLAND BANK, Britain's third largest clearing bank, has confirmed the existence of an internal review prepared this spring which claimed there were serious shortcomings in information technology systems at Midland Montagu, its stockbroking and investment banking arm.

It appears to provide clear evidence of the technological difficulties faced by many of the City of London's new investment banking conglomerates since last October's Big Bang deregulation.

The review document said that Midland Montagu's systems were "critically deficient." Midland Montagu would cease to be a key player in the investment banking industry if its systems were not improved, the review concluded.

Details of the document have come to light in a story published in today's issue of Datalink, a computer software magazine.

Midland Bank said yesterday that the review document was written in March or April and represented the views of a group of systems staff. It was over-stated and did not reflect the views of Midland Montagu's management, Midland added.

It pointed out yesterday that the review predated Midland Montagu's move to a new HQ in London's old Billingsgate fish market, and a number of other initiatives taken to improve systems.

Mr Alan Macdonald, a Midland spokesman, said it was "absurd and ridiculous" to suggest that Midland had any intention of pulling out of investment banking because of systems deficiencies.

Mr Macdonald confirmed that there were areas of weakness, particularly in the back-office at Greenwell Montagu, the group' stockbroking arm.

Mr Macdonald said, however, that the systems problems at Greenwell were "not really any different from what you would find in any stockbroker in the City.

"All the effort was geared towards Big Bang and market-making, rather than to the settlement side," he added. "Now the back-office is being brought into line with the front office."

Midland Montagu was launched on February 23 with a staff of 3,000 people. Midland created it from a union between the bank's group Treasury division, Samuel Montagu, its merchant bank, and W. Greenwell, the stockbroker which the bank bought before Big Bang.

Greenwell Montagu pulled out of market-making in equities in March after running up heavy losses since Big Bang.

According to Datalink, the systems review assessed 14 systems at Midland Montagu and found that nine were "unsatisfactory"

The document's significance appears to be that it demonstrates the kind of problems which many of the City's new financial conglomerates have faced in integrating disparate and potentially incompatible computer systems in the months before and after Big Bang.

The review also suggested that Midland Montagu was far too dependent on outside contract staff, and that the current level of permanent staff was "inadequate to support existing systems let alone new developments."

Reagan schools expert has lesson for UK

Continued from Page 1

pulpit (to adapt Theodore Roosevelt's description of the presidency), for the dissemination of conservative ideas. As Senator Daniel Moynihan, the New York Democrat, once said: 'Bill Bennett is the first Secretary to understand the ideological and political possibilities of the office that were there from the beginning." So much for the school system. What about what is taught in the classroom? Mr Bennett, a Harvard law school graduate, and still a philosophy lecturer, believes strongly in a core curriculum. 'If only one-quarter of American high school seniors have taken either physics or chemistry, and three-quarters have taken neither, that is not a good start for the next generation of scientists and engineers'.

Or, as he put it in his maiden speech as Education Secretary in March 1985: "We should want every student to know how mountains are made, and that for most actions there is an equal and opposite reaction...they should know where the Amazon flows, and what the First Amendment means. They should know about the Donner Party and slavery, and Shylock, Hercules, and Abigail Adams, where Ethiopia is, and why there is a Berlin Wall'.

Two truths are in Mr Bennett's view self evident. Between 1968 and 1974, the US suffered a collective aberration. Children were left to their own devices as teachers embarked on a series of wild intellectual adventures. Discipline fell apart. 'We need to get back on track', says Mr Bennett.

In an epilogue to a US Department of Education study on the Japanese education system, the product of an agreement between President Reagan and Prime Minister Yasuhiro Nakasone in 1983 that the two countries should study their respective systems, Mr Bennett wrote that Japanese schools attended to character formation, physical health and good behaviour, but were also well focused on central functions. 'They have not turned into societal multi-service centres, nor are they buffeted by pedagogical and societal fads'.

Mr Bennett rejects the view that letting a child develop in its own way is necessarily part of the liberal Western tradition and that US and UK schools just need a dose of Japanese discipline. 'We have known what works in American education for a long time. We forgot it, and now we are recovering by restating the obvious as though it were new'.

More controversial is the teaching of what Mr Bennett calls cultural literacy. He supports the revival of pledging allegiance to the American flag, which he says plants a respect for the republic at an early stage and has proved very popular in inner city schools with poor children. He has also suggested that better teaching of history would lead to more support for government policies. If children "have never heard of the Cuban missile crisis" he said, "they cannot comprehend the Sandinista head of secret police when he states that Cuba's friends are Nicaragua's friends".

Mrs Thatcher should note that while Mr Bennett came into office on the back of conservative right-wing support (the Rev Jerry Falwell blessed him as a friendly voice), and a Reagan pledge to abolish the Department, it is still going strong. And while Mr Bennett has agreed to a $4bn cut in education funds this year, he refused to comment on reports that he has reversed his stand

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	30	86	Malta	S	29	84	Rhodes	S	27	81
Algiers	S	28	82	Edinburgh	F	23	73	Manchester	S	24	75	Rio de J'o	-	-	-
Amsterdam	S	24	75	Faro	F	25	77	Manila	C	34	93	Rome	S	35	95
Athens	H	32	90	Florence	S	32	90	Melbourne	F	16	61	Salzburg	F	22	72
Bahrain	S	40	[illegible]	Frankfurt	S	25	77	Mexico City	-	-	-	San Francisco	S	20	68
Bangkok	R	32	90	Funchal	C	22	72	Miami	C	31	88	Seoul	C	28	82
Barcelona	S	29	84	Geneva	S	27	81	Milan	S	29	84	Singapore	S	31	88
Beirut	S	28	82	Gibraltar	S	26	79	Montreal	S	22	72	Stockholm	C	21	70
Belfast	F	[illegible]	72	Glasgow	F	21	70	Moscow	S	22	72	Strasbourg	S	25	77
Belgrade	[illegible]	[illegible]	77	Guernsey	S	21	70	Munich	F	22	72	Sydney	S	15	59
Berlin	[illegible]	[illegible]	77	Helsinki	C	19	66	Nairobi	C	24	75	Taipei	C	35	95
Biarritz	F	24	75	H. Kong	R	29	84	Naples	F	31	88	Tangier	S	27	81
Bombay	D	30	86	Innsbruck	F	25	77	Nassau	C	31	88	Tel Aviv	S	32	90
Bordeaux	S	33	91	Inverness	F	21	70	New Delhi	S	38	100	Tenerife	C	26	79
Brussels	S	24	75	Islamabad	S	43	109	New York	S	30	86	Tokyo	S	23	73
Budapest	S	30	86	Istanbul	S	28	82	Nice	S	29	84	Toronto	C	25	77
B. Aires	S	19	66	Jakarta	C	30	86	Nicosia	C	36	97	Tunis	S	30	86
Cairo	S	31	88	Jersey	S	24	75	Oporto	C	21	70	Valencia	S	33	91
Cape Town	S	19	66	Jo'burg	S	17	63	Oslo	F	22	72	Venice	S	30	86
Caracas	C	26	79	[illegible]	C	26	79	Paris	S	26	79	Vienna	C	28	82
Casablanca	C	24	75	Lisbon	S	30	86	Peking	S	29	84	Warsaw	C	22	72
Chicago	C	28	82	London	S	28	82	Prague	S	19	66	Washington	F	24	75
Cologne	S	24	75	Los Angeles	C	28	82	Reykjavik	R	13	55	Zurich	F	23	73
Copenhagen	S	20	68	Luxembourg	S	23	73								
Corfu	S	30	86	Madrid	S	30	86								
Dallas	-	-	-	Majorca	S	34	93								
Dublin	S	21	70	Malaga	S	31	88								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US acting with Japan

Continued from Page 1

countries and their companies.

In its efforts to modify the trade legislation, the Administration has been resisting clauses which would diminish presidential discretion or single out particular countries, especially Japan, for punitive mandatory retaliation.

Although only the Senate has acted in response to the Toshiba case, the House of Representatives is expected to approve similar legislation.

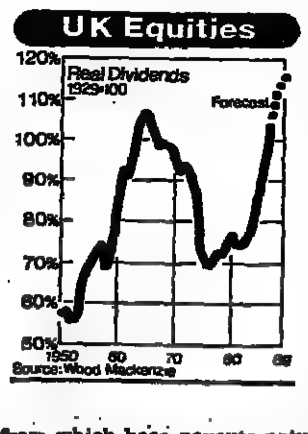
Washington, according to one US official, is now working with the Japanese and Norwegian governments to improve their export controls in part to diffuse criticism. A longstanding goal of the Reagan Administration has been to persuade its allies to tighten their export controls and the penalties imposed on violators. To the extent that the export control regime in Tokyo is tightened up, criticism for violations would be focused more on the companies involved.

There were reports from Tokyo over the weekend that Toshiba has been told by the Pentagon to press ahead with tendering for a $100m Pentagon contract

THE LEX COLUMN

The ups and downs of dividends

Everybody's doing it. Even the normally parsimonious Lord Weinstock of GEC opened his purse-strings last week and proposed a 23 per cent increase in the year's total net dividend, despite a slight fall in profits. Right across the UK equity market, dividends are being pushed up by a large margin above the 4 per cent inflation rate.



Grossing up

The exact scale of the increase is, unfortunately, a matter for conceptual debate. The year-on-year gain implied by the yield on the FT-Actuaries All-Share Index is 11.6 per cent, but that is not the whole story because this year's dividends are being grossed up at a lower tax rate than last year's. The tax credit has dropped from 29 to 27 per cent, in line with the cut in the standard rate of income tax.

Company directors, who declare dividends on a net basis, have probably considered themselves to be paying out more like 15 per cent extra. Certainly brokers Phillips & Drew calculate the rise in industrial dividends to have been 17 per cent for 1986, easing to 15 per cent overall because of relative weakness in oil sector distributions.

Even so, the yield on the All-Share is a bare 3 per cent, against a long-run average of more than 5 per cent, thus underlining the need for continued dividend buoyancy. With the profits outlook remaining buoyant, however, dividends could easily satisfy the market's demanding expectations. Over at brokers Hoare Govett, for instance, the view is that earnings per share will expand by 17 per cent in 1987, and dividends will be climbing at 11½-12 per cent in each of the next two years. P & D are going for more like 15 per cent in 1987.

Shareholders have now enjoyed five straight years of growth in dividends in real terms, for a cumulative gain of more than 40 per cent (again, in real terms; the nominal rise has been more like 80 per cent). Although this is an exceptional rate of improvement, it does not necessarily follow that payments are reaching vulnerable levels, because real dividends have been subject to wide swings over the decades.

Another broking firm, Wood Mackenzie, has conducted a long-term study of real dividends on UK equities, going back to the peak year of 1930, from which base payouts naturally plummeted during the subsequent economic slump (nearly halving, in fact).

Such long-term studies are open to methodological quibbles, given that structural changes in the market make precise comparisons dangerous. But the ups and downs in the chart are significant, even if the precise numerical levels (a second peak of 109 in 1965, for instance, against 1930=100) may not be.

Corporation tax

At any rate, the study shows a sharp postwar recovery until 1965, at which point the Labour Government instituted a new corporate tax regime which discriminated against dividends, while the 1970s brought specific dividend controls, not to mention rampant inflation. Real dividends tumbled, and although they bottomed out in 1977, they continued to languish until after the industrial shakeout of 1981, the time of the ICI dividend cut.

Against this perspective, the sharp dividend growth of the past half-decade can therefore be seen as no more than a partial recovery, and one which according to Wood Mackenzie's projections will not take distributions in real terms to a new peak until next year. Beyond that, pessimists might argue that dividends could move into historically vulnerable territory, although companies have achieved substantial secular growth which could suggest that the next peak is not at all close. Dividend cover is more than 2¼ times, and if the forecasters are to be believed it is rising still higher.

The precise motives of company boards in setting dividend rates are, meanwhile, rather obscure. Earnings growth plays a part, but there is also a pressure to follow the general pattern (to which even GEC succumbed this year). There is an academic school of thought which considers that dividends do not matter, and that companies might as well not bother to pay them (the actual policy of one or two American companies). Simple-minded investors appear to believe, however, that a commitment to pay a rising stream of dividends is a very useful discipline upon a management. And from a company's point of view dividends can be money well spent if they ensure that the primary market is well disposed.

Financial surplus

High liquidity is an obvious factor in the strength of dividend payments. British industrial and commercial companies continued to run a substantial financial surplus in 1986, of £5.3bn according to figures published last week, and with little money being absorbed by working capital, it looks as though companies are having trouble in finding ways to spend their cash flow.

So dividends are at present rising much faster than capital spending (which is, however, about three times as large). This could be seen as ammunition for protests about the short-term perspective of British companies and their failure to invest adequately in the future. On the other hand, companies have been successful in pushing up their rates of return on investment during the 1980s, and their caution over the potential profitability of expansion projects deserves respect.

Yet if the current high profitability and cash flow of British companies reflects an ability to squeeze higher returns out of assets, for instance through raising labour productivity nearer to Continental levels, there is an implied limit to the further scope for earnings gains. A combination of pre-tax profits increases of some 20 per cent (a little higher than earnings per share growth) and money GDP growth of perhaps 8 per cent is not sustainable for long.

Arguably, though, dividends could derive enough steam from the corporate liquidity boom to keep growing strongly for at least a year or two beyond any peaking of profits.

هكذا من الأصل

INTERNATIONAL BONDS

US Treasury climbdown only makes waters murkier

THE US Treasury might have hoped that its announcement on Thursday would lift the confusion which prevailed in the dollar sector of the Eurobond market for most of last week. It seems only to have succeeded in making the waters murkier, writes Stephen Fidler in London.

As is now well known, a Treasury decision announced on Monday to terminate a tax treaty with the Netherlands Antilles turned at a stroke an estimated $30bn of Eurobonds into huge potential liabilities for their US corporate issuers. It would have added a 30 per cent US government withholding tax on all interest payments made by the US companies.

On Thursday, the Treasury partly reversed that move and said it would back legislation to preserve the existing tax position of the bonds.

That has left many of the US companies which issued Eurobonds before July 1984 through Netherlands Antilles finance subsidiaries stuck between a rock and a hard place.

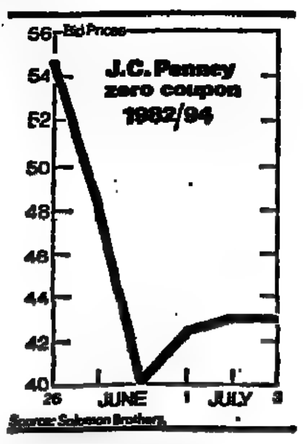
Three US companies, Caterpillar, RJR-Nabisco and Bank of Boston, last week gave notice that they would exercise their rights under clauses in their bond agreements to call issues for early redemption. The Treasury's support of the so-called "grandfather" legislation would make no difference to their decision.

In fact the wording of these prospectuses varies greatly. Tough clauses do not allow bonds to be called until the tax treatment of the bonds actually changes. Assuming the Treasury succeeds in winning passage for its legislation, companies with these clauses in their bond agreements will not be able to call them.

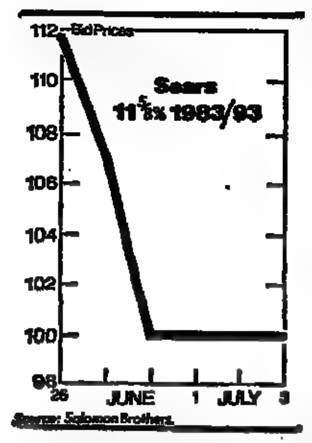
Other bonds carry much softer wording, however. Some clauses appear to allow calls if there is a significant increase in the chances of a change in the bonds' tax status.

These companies are now being subjected to a barrage of pressure from investors and Eurobond issuing houses. Credit Suisse First Boston, for example, has sent a strongly-worded telex to issuers of bonds it has brought to market advising them not to call.

In a statement, the International Primary Market Association, the trade association which groups Eurobond issuing houses, said: "It



Source: Salomon Brothers.



Source: Salomon Brothers.

would be responsible for all concerned to defer taking action."

Mr Hans-Joerg Rudloff, deputy chairman of Credit Suisse First Boston, describes the calling of bonds under these circumstances "an opportunistic action which will carry a very heavy penalty for the future." His opinion is that the names of the companies which do call will be shunned by Euro-investors.

Whether this is really a factor over anything other than the short-term is open to debate. But if words do not bother the issuers, law-suits might, and talk of litigation from holders of bonds is in the air.

If that is the rock, the hard place is the possibility of litigation from shareholders if companies fail to take advantage of the windfalls that early redemption can bring.

Most fixed-rate issues are at coupons higher than those now prevailing and potential savings are large. This is true particularly of many zero coupon bonds, prices of which crumbled in dramatic fashion early last week.

Some investment bankers in Europe are making light of the possibility of shareholder suits, saying they would be without merit in view of the opprobrium which issuers would face if they redeemed the bonds. But they would say that, wouldn't they?

How many of the bonds affected carry this "softer" wording is hard to say. Eurobond market guesstimates were suggesting on Friday that about half of the bonds, up to $15bn, may still be callable. What is certain is that the market in these issues, which to all intents and purposes ceased to exist last week, is now entering a period of limbo which could last for six months. Pity again the poor Euro-investor who wants to unlock his capital.

Pity too for anybody unlucky enough to have used one of these callable issues in an asset swap, the unwinding of which could begin to look rather messy.

The Treasury's partial climbdown clearly came after strong pressure from Wall Street and other quarters, and whatever happened internally the department does not emerge looking particularly good.

Two schools of thought exist – one prefers the misjudgment scenario, the other the breakdown of internal communication version.

The first suggests the Treasury was aware there would be a significant impact on the Eurobond market, but underestimated the outcry which would follow. The thought that the move would be popular with US companies, the major beneficiaries, might have influenced its decision.

The second version suggests that the decision was taken by one department without reference to the Treasury's market experts. In this case, one is left wondering what hope there is for international co-operation over securities market operations, when one section of the US Treasury fails to talk these matters over with another.

Elsewhere, the most remarkable event of the week was the predictable deterioration of the market in Japanese equity warrant bonds. It took just a couple of weeks of faltering on the Tokyo Stock Exchange and the usual excessive issuing fervour that typifies the Eurobond market.

A.H. Robins in $2.6bn merger agreement with Rorer Group

BY OUR FINANCIAL STAFF

A. H. ROBINS, the US healthcare company operating under Chapter 11 of the US Bankruptcy Code, and Rorer Group, the US pharmaceutical manufacturer, have signed a letter of intent to pursue a definitive merger agreement before July 31.

The Rorer proposal, which comes after several months of talks, is valued at about $2.6bn.

The agreement provides for two trusts, with a total value of $1.75bn, to be established to pay claims related to the Dalkon Shield, the intra-uterine device. It also provides for all of Robins' non-Dalkon Shield claims, estimated at about $120m, to be satisfied substantially as set out in Robins' present plan for reorganisation.

Under the deal each Robins common share would be exchanged for one share of a new series of Rorer convertible preferred with a stated valued of $30, or 0.625 Rorer common shares, if the market value of Rorer common is $48 or greater.

The merger agreement would be subject to approval by Rorer's shareholders. Then it would be incorporated in Robins' existing plan of bankruptcy reorganisation and the plan submitted to Robins' creditors and shareholders for a vote and would be subject to confirmation by the US Bankruptcy Court in Richmond, Virginia.

Robins attracted other takeover interest earlier this year. American Home Products discussed a merger with the company and more recently, Dow Chemical's pharmaceutical unit said it would be interested in buying some of Robins' well-known main brands.

British borrowers focus on short-term credit rearrangements

BRITISH borrowers rearranging their short-term funding arrangements have featured heavily in the credits market so far this year, and a string of large deals is still emerging, writes Alexander Nicoll in London.

Only a few months after Burton, the UK clothing retailer, arranged a £400m ($642m) facility, the company's consumer financing subsidiary is arranging an even larger multi-option facility. Of the £500m five-year financing for Burton Group Financial Services being arranged by County NatWest and N. M. Rothschild, £400m is to be committed.

The maximum margin above Libor on advances arranged through a tender panel will be 15 basis points, compared with 10 for the parent. The facility fees are also higher, at 12 basis points on the half immediately available to be drawn and 6 basis points on the "unavailable" portion.

BTR, the industrial holding company, is understood to be the next major borrower in this market, with a mandate expected shortly for a £500m multi-option facility.

A £150m standby credit is being sought for First Mortgage Securities, a new company owned by Bank of Scotland, Foreign & Colonial, GEC, Morgan Grenfell and the company's management. It plans to buy UK residential mortgages from other lenders and hold them prior to securitisation, and the standby will back this activity.

Morgan Grenfell is arranging but not participating in the five year credit, which has a standby fee of 12.5 basis points and drawings at a maximum of 22.5 basis points above Libor.

The Eurocredit market's attention last week was mainly focussed on two continental deals, for Portugal's Companhia Nacional de Petroquimica and Italy's Autostrade, the state motorway construction body.

The $250m CNP deal finally went into general syndication with the group having, as expected, heavy Japanese participation as well as including one Portuguese bank. Apart from arrangers Bank of America and Manufacturers Hanover, the group comprises Banco Totta & Acores, Bank of Tokyo, Commerzbank, Dai-Ichi Kangyo Bank, IBJ International and Taiyo Kobe Bank. Terms were believed by many bankers to be too tight and could mark a low point in returns on Portuguese credits.

Details also emerged of the two-tranche Autostrade deal, also thought to be aggressive but probably achievable. The DM 150m 10-year tranche was a 10 basis point spread for three years, rising to 12.5 thereafter. The Ecu 150m 12-year portion begins at 7.5 basis points, rising to 10 after four years and 12.5 after nine years. Inclusive of fees, the average return for lead managers is about 12 basis points.

Though the average life of both tranches is 8½ years, some bankers were put off by the long maturity of the Ecu portion and by the level of return. However, the borrower is a relatively rare visitor to the market. Bankers Trust and Mitsubishi Bank are the mandated banks.

Citicorp's $350m credit for SHV Holdings, the Dutch energy and consumer goods concern, received subscriptions totalling $545m but will not be increased. Swiss Bank Corporation International has upped a $150m credit for Whirlpool Acceptance of the US to $165m. An increase in the floating rate half of the Bank of Greece's Y20bn loan is to be proposed to the borrower.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,251.1	459.6	460.0	5,396.6
Prev	3,569.5	223.7	–	4,772.3
Other	2,802.5	9.8	68.0	599.8
Prev	2,189.5	581.1	–	582.5
Secondary Market				
US$	25,413.5	2,060.3	10,583.2	6,157.4
Prev	27,505.3	2,028.2	14,533.5	6,489.2
Other	24,819.0	1,241.3	6,580.7	13,902.1
Prev	19,361.1	1,632.5	4,417.3	11,451.5

	Cedel	Euroclear	Total
US$	14,028.2	38,806.8	52,832.0
Prev	16,081.5	42,640.6	58,622.1
Other	19,370.0	30,733.5	50,103.5
Prev	15,585.2	24,591.4	40,176.6

Week to July 2 1987 Source: AIBD

Ontario launches insider trading investigation

BY ROBERT GIBBENS IN MONTREAL

THE Ontario Securities Commission is investigating allegations of insider trading involving the improper transfer of information between institutional investors and traders at securities dealers.

The investigation essentially covers allegations of "front running" where a trader for a securities firm knows an institution's plans for a major share purchase and then buys a relatively small amount of the stock in advance. The profit is made by the trader when he sells his shares to the institution.

Front running is not in itself illegal but the trader might be using inside information, the OSC says. It has asked for full trading information on certain individuals, including traders and money managers.

The OSC also wants to make it easier for mining promoters to arrange their financing in Ontario rather than through the speculative Vancouver stock exchange.

A new OSC policy would result in not less than 55 per cent of the money raised from the public in a junior resource financing going to the company and its owners, up from about 30 per cent now. This would mean that securities dealers' shares of such issues would be cut to 45 per cent including costs.

The dealers' role in such financings would be more strictly regulated, especially in marketing secondary issues. All prospectuses for primary issues would include a disclosure document advising investors of the risks of investing junior resource stocks.

UK GILTS

Bank clears way for warrants

THE BANK of England's circulation last week of its paper on the issue of gilt warrants came as welcome proof that the UK Government bond market is moving forward in terms of sophistication, if not in price.

The paper, in itself, did not come as a tremendous surprise to those primary dealers and other institutions which have been talking to the Bank for at least a year about the possibilities of issuing warrants (effectively tailor-made options) on gilts.

The importance of the paper was that the potential objections of the Inland Revenue have been overcome and the necessary Stock Exchange rule changes will now be effected.

In other words, the Bank has laid down a prudential framework for the issue of warrants and it is now up to securities firms and any who are interested to decide on how they will tailor their business to whatever demand there may be for these instruments.

It seems clear that the kind of outfits who will be first to try their hand at issuing warrants will be those already conversant with writing options and warrants in the US Treasury bond market and those active in the Eurobond market, for example. Names like Salomon Brothers and Credit Suisse First Boston spring to mind as those having the sophisticaed computer programmes needed to back up options and warrants business.

The first issues could emerge as soon as July 20 when the requisite Stock Exchange rules come into effect. It is impossible at this stage to say how securities houses will play it. There could be a rush of issues as houses scramble to be the first into the game to boost their image as innovative, sophisticated players in the market for world securities.

On the other hand, a combination of the newness of gilt warrants and a market which has languished ever since the election could persuade potential issuers to hold off until conditions are more buoyant.

There is a danger that before a fully-blown secondary market emerges—if it does—an issue in these vulnerable conditions could leave investors wanting to sell on their warrants and not being able to, so building an immediate prrejudice against them.

This is the last thing needed for the evolution of a liquid market, particularly as there is a degree of ignorance and even fear of new instruments among British institutions.

This probably means issuing houses will concentrate on foreign investors who have already been bombarded for years with offers of ever more baroque hedging and speculative instruments by the world's securities giants.

Warrants can either be issued on their own merits or attached to debt issues, such as new Eurobonds. Japanese investors, for example, who are attracted by trading in gilts but are concerned about any currency risk, could be ready purchasers. Eurobond issuers themselves have found the attachment of warrants can cut down their borrowing costs, even taking into account hedging their own positions.

The attachment of gold warrants, with their large implied volatility, has proved a popular buy for speculators. However, some market-making houses feel the turn on gilt warrants would probably not make this sort of issue worthwhile and see straight warrant issues as more likely.

There also seems to be a view in the market that most primary dealers are more likely to continue hedging their book positions through the futures market with which they are familiar rather than using warrants.

One argument in favour of warrants to hedge more exactly a speculative opportunity is that it is difficult to hedge completely effectively through futures except at the long-end where the long contract is extremely liquid. Presumably however, at the right price, market makers could go for warrants as a hedge rather than in other maturities.

The prospect of a fully-developed secondary market in warrants throws up the question of the role of inter-dealer brokers and stock exchange money brokers who would provide screen prices and borrowing facilities. As far as the IDBs are concerned, one presumes any increase in the use of their screens by market-makers can only be good news.

Janet Bush

US MONEY AND CREDIT

Optimistic interest rate outlook

THE US credit markets were in better cheer last week, thanks to good news about the economy and a firm dollar. But activity was thin and traders' hearts were not really in it.

Some were holding off until this week's Federal Reserve governors' meeting or waiting for political signals from Washington. Others, no less productively, were fighting their way to Grand Central in good time for Friday's Independence Day holiday.

As it turned out, most prices rose fractionally with the benchmark 8¾ per cent Treasury long bond climbing half a point to 103⅝ to yield 8.44 per cent. Municipals were up about a point and corporates—excluding the Eurodollar sector, which had its own problems—were also ahead.

The week was short and calm and some traders spent it gathering bits of evidence to cobble quite an optimistic short-term outlook for interest rates. The background tone was set by the foreign exchange markets. The dollar was firmer most of the week and hit a three-month high against the Japanese yen in Tokyo on Thursday. It ended the week in New York, trading at Y147.5.

Thursday's labour market report showed employment growing only very slowly in June. It also revised the May figures sharply downwards.

Monetary growth ticked up last week but is still modest. As Mr Henry Kaufman, chief economist of Salomon Brothers, put it: "Were it not for ongoing concerns about the dollar, the recent slow growth in employment and in the monetary aggregates might tempt the Federal Open Market Committee (FOMC) to ease policy a notch when it meets for its midyear review of monetary targets."

The even more bullish view holds that last week's softness in the Federal Funds rate showed that the Fed is already unwinding the small tightening of monetary policy undertaken when the dollar was weak in April. The Fed Funds rate is a short-term rate often held to reflect Fed policy.

A number of money market economists are not happy with this picture. Mr Kaufman himself says that with the trade deficit still substantial an easier stance might threaten to send the dollar lower. The small growth in unemployment, amounting to less than 100,000 a month over two months, may reflect cutbacks in production to shrink the mammoth inventories built up earlier in the year—above all by the motor industry.

The labour figures for June also showed the unemployment rate falling to 6.1 per cent, which some economists feel is close to the "natural" rate for a smoothly-running economy.

Any fall could start generating wage pressures, which would be reflected in the credit markets by higher yields to accommodate inflationary fears. "With the unemployment rate at close to 6 per cent, attempts to stimulate the economy could threaten progress on inflation," Mr Kaufman says.

Mr Sam Kahan, economists at Kleinwort Benson in Chicago, sees the economy ticking along with "enough weakness to show no boom is coming and enough strength to show there is not going to be a recession." He sees no call for any easing by the Fed.

Although it is scarcely courteous to describe Mr Paul Volcker as a lame-duck Fed chairman, that is more or less what he is. "Mr Volcker will sit at the back of the room," says Mr David Jones, money-market economist at Aubrey Lanston. Both economists ascribe the weakness in the Fed Funds rate to technical factors with no significance for Fed policy.

One hindrance to the slow improvement in the market could be political uncertainty. The drastic if temporary reaction last week to a small mishap on a building site at the US Embassy in Kuwait suggests that the markets are very wary about what Washington might get up to in the Gulf.

For the next few weeks, there could be any amount of mischief from the capital, arising out of Col North's testimony this week or the usual fight over the federal debt ceiling or discussion of the 1988 budget.

Washington certainly put a stick in two sectors of the fixed-interest market last week. The State of Iowa withdrew from the muni market what would have been the first tax-exempt bond offering denominated in a foreign currency, and a similar issue from the County of Los Angeles looked set to go the same way.

Much to the chagrin of Goldman Sachs and First Boston, lead underwriters for each offering, the Internal Revenue Service said that currency losses on the bonds (denominated in Australian and New Zealand dollars) could not be used to shelter other taxable income.

However, the Treasury did try to unravel the chaos into which it plunged the Eurodollar corporate market on Monday, when it said it was ending a 40-year tax treaty with the Netherlands Antilles which allowed bonds issued there to be free of withholding tax.

The announcement caused US corporate bonds issued through the Netherlands Antilles to drop by an average of seven points, because many of the some $30bn in bonds carried clauses allowing refinancing in case of a change in the tax regime.

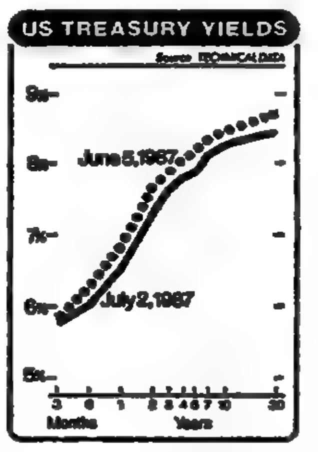
On Thursday, the Treasury retreated and said it would ask Congress to allow the bonds to retain their tax-exempt status. Some companies were still considering taking the opportunity to call expensive bonds but the Eurobond market was sending some pretty unequivocal signals: any US borrower which called its bonds would find an ugly reception next time it came to market.

* * *

The only economic statistic of significance this week is the Index of Producer Prices in June, set for release at 8.30 am on Friday. According to Money Market Services of Redwood City, California, the market expects producer prices to have risen by 0.4 per cent in June, or slightly faster than the 0.3 per cent seen in May. However, the range of estimates for June extends from 0.3 per cent to 0.4 per cent.

James Buchan

US TREASURY YIELDS



US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.47	6.74	6.86	11.34	5.71
Three-month Treasury bills	5.65	5.78	5.68	6.05	5.01
Six-month Treasury bills	5.76	6.11	6.25	6.29	5.88
Three-month prime CDs	6.85	6.92	7.05	7.25	5.46
30-day Commercial Paper	6.70	6.88	6.85	7.70	5.55
90-day Commercial Paper	6.85	6.73	6.90	7.05	5.45

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	99¾	+⅛	8.15	8.21	8.53
20-year Treasury	107	+½	8.62	8.67	8.74
30-year Treasury	103⅝	+½	8.44	8.47	8.64
New 10-year "A" Financial	n/a	n/a	9.20	9.30	9.30
New "AA" Long utility	n/a	n/a	9.55	9.60	9.60
New "A" Long industrial	n/a	n/a	9.45	9.55	9.55

Source: Salomon Bros (estimates).

Money Supply: In the week ended June 22 M1 rose by $8.9bn to $750.7bn

NRI TOKYO BOND INDEX

December 1985 = 100	2/7/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	138.59	4.52	139.25	139.11	132.06
Government Bonds	140.41	3.86	141.62	141.11	132.96
Municipal Bonds	138.80	4.98	139.06	139.07	132.38
Government-guaranteed Bonds	133.59	5.06	139.87	139.97	133.11
Bank Debentures	137.05	3.98	134.85	133.49	128.45
Corporate Bonds	139.05	5.10	137.51	136.72	130.62
Yen-denominated Foreign Bonds	139.48	6.12	139.51	137.65	133.09
Government 10-year†	—	4.58	4.54	4.39	5.37

† Estimated par yield.

Source: Nomura Research Institute.

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on July 3.

Siemens sees lower earnings this year

BY HAIG SIMONIAN IN FRANKFURT

TURNOVER at Siemens, the West German electronics group, rose by 12 per cent to DM 33bn ($18m) in the first eight months of the present business year ending on September 30.

However, earnings for the year as a whole will not reach last year's level, said Mr Karlheinz Kaske, the chief executive. Profits at the eight month stage had been depressed by the flaccid German economy and weak international demand, as well as the strength of the D-Mark.

The business trends "have been somewhat worse than we and others expected," he noted. "The environment has changed dramatically."

Nevertheless, the company expects order levels to be stable at around DM 50bn and 12 months' turnover to rise by about 10 per cent to DM 51.5bn.

Prospects for the coming 1987-88 business year remained "optimistic," said Mr Kaske. Sales should exceed DM 60bn, partly thanks to two new nuclear power stations made by KWU, a Siemens subsidiary, while orders are also expected to rise.

The company was sticking to its aim of at least keeping pace with the world electronics industry's annual 6 to 7 per cent growth rate, he added.

The group, which has about DM 20bn in liquid funds, has no acquisition for capital raising plans on the horizon. "We don't plan anything in the foreseeable future. Never the less, having this money doesn't do us any harm," said Mr Heribald Naerger, finance director.

Mr Kaske would not be drawn about rumoured heavy losses at Siemens' medical electronics and microchip divisions this year, which badly dented its share price last week.

But he confirmed that not every line of busness had been profitable, and admitted that the company's heavy investment in new microchip production facilities had still to show a substantial return.

Domestic turnover rose in the eight months ended May 31 by 20 per cent to DM 16.7bn, largely due to the inclusion of work at the Brokdorf nuclear power station. Otherwise, the figure would have been 3 per cent.

Foreign turnover went up by 5 per cent to DM 16.3bn. The figure, which includes new acquisitions, would otherwise have been 5 per cent lower, largely on account of the strength of the D-Mark.

New orders of DM 33.8bn for the first eight months remained the same as the corresponding period last year. Domestic orders fell by 3 per cent to DM 15.7bn, while international demand picked up by 3 per cent to DM 18.1bn.

Some 10,000 Siemens employees are now on short time, said Mr Kaske, up from 3,500 in January. Overall capacity utilisation has fallen to 81 per cent from an average 84 per cent in the previous business year.

Fixed investment would probably rise by between DM 300m to DM 400m to peak at DM 5.6bn this year. Research and development spending would go up by at least DM 500m this year to DM 6bn, well above the industry average.

France seeks ways to manage small portfolios

BY GEORGE GRAHAM IN PARIS

FRANCE's Finance Ministry is seeking new ways of managing the wave of demand for shares in the country's newly-privatised companies and of coping with the small and fragmented portfolios that the privatisation programme has created.

Mr Edouard Balladur, the Finance Minister, has asked the French banks' association and his own officials to examine ways of setting up a new form of mutual fund which would take over the administration of the tiny allocations of shares that investors have received

A typical investor who has subscribed systematically to each privatisation issue would have a portfolio including four shares of Paribas, now worth FFr 467 each, a single share in Banque du Batiment et des Travaux Publiques at FFr 141 and one and a half shares in Banque Industrielle et Mobiliere Privee, at FFr 180 per share.

Banks which were initially enthusiastic about the princely commissions they received for handling share applications have now become disenchanted with the costs of administering the millions of small portfolios the privatisation campaign has thrown up in its wake.

The privatised companies have had to take special measures to cope with a highly-dispersed shareholder list which they can contact for the most part only through the banks or brokers who handled the original share application.

The idea of setting up a special form of mutual fund, however, appears to present almost insuperable difficulties and has received a sceptical response from the privatised companies themselves.

The main problem is the free share offered to investors who hold on to their stakes for at least 18 months. This is a strictly personal entitlement which would normally be lost if the shares were passed on to a mutual fund.

Even if some formula were devised which got around this problem, bankers believe the resulting fund would suffer from severe restrictions on its freedom to manage its portfolio

Ivory Coast bank lifts profits

BY PETER BLACKBURN IN ABIDJAN

SOCIETE GENERALE de Banque en Cote d'Ivoire, the Ivory Coast's largest bank with more than one-third of the country's deposits, increased net profits by 33 per cent to CFA 1.7bn ($5.7m) and maintained a dividend of 10 per cent for the year to September 30 1986.

The third successive annual increase in the bank's earnings reflected the country's continued economic recovery last year, when real GDP grew by more than 2.5 per cent following 5.9 per cent growth in 1985, according to the bank's annual report.

The sharp growth in earnings came despite a further big increase of 40 per cent in provisions for non-performing loans.

To strengthen further its financial position and to celebrate its 25th anniversary, SGBCI increased its capital by one-third to CFA8bn ($26.5m) in February and offered shareholders one free share for every three shares held.

However, SGBCI warns about a "disturbing" drop in prices during the latter part of 1986 which affected nearly all the country's agricultural exports. Average prices of palm oil, cocoa and cotton fell by 52 per cent, 42 per cent and 39 per cent respectively.

The continued fall in commodity prices is expected to cause a $1.8bn fall in the Ivory Coast's export earnings during the 1986-87 season and a 1 per cent decline in the economy.

As a result, SGBCI, in which France's Societe Generale has a stake of about one-third, may find to difficult to maintain last year's progress, analysts say.

SGBCI's leding rose by 14 per cent to CFA 433.8bn ($1.4bn) while deposits rose by just under 8 per cent to CFA 195.8bn ($653m) in 1986.

Hoogovens buys German steel stake

HOOGOVENS, the Dutch steelmaker, has agreed to acquire 50 per cent of Hiller and Muller Group, a family-owned, West German steel group, for an undisclosed price, Reuter reports.

Hiller and Muller has annual revenues of around DM 650m ($360m) and operates steel coating and processing facilities in West Germany and the US.

Hoogovens said its longstanding client-supplier relationship with Hiller was "the basis for the more intensive co-operation."

Hoogovens added that the Hiller participation will further enhance and extend the range of products the Dutch company can offer in higher value-added products in the processed and coated steel markets.

It said the acquisition of the half-share in Hiller would be paid for out of Fl 836m ($408m) of capital expenditures authorised so far for 1987.

That amount will also cover the recent agreement by Hoogovens to acquire Kaiser Aluminium Europe in a deal that is excepted to be completed some time this quarter.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
US DOLLARS							
Dibayashi Road & Con. ¶‡	25	1992	5	1⅜	100	Nomura Int.	1.750
Kajima Corp. ¶‡	200	1992	5	1⅜	100	Daiwa Europe	1.375
Chase Corp. Fin. §‡	75	1997	10	5¼	100	Kidder Peabody Int.	5.250
Nichirei Corp. ¶‡	100	1992	5	1⅜	100	Nikko Secs (Europe)	1.375
Nichirei Corp. ¶‡	50	1994	7	2⅞	100	Yamaichi Int. (Eur)	2.875
Okamura Corp. ¶‡	100	1992	5	1⅜	100	Daiwa Europe	1.375
Shinagawa Fuel ¶‡	50	1992	5	1⅜	100	Yamaichi Int. (Eur)	1.375
Yamanouchi Pharm'ical ¶‡	100	1992	5	1⅜	100	Nikko Secs (Europe)	1.375
Nippon Shinpan ¶‡	200	1992	5	1⅜	100	Daiwa Europe	1.375
Nippon Shinpan (d) ¶‡	200	1992	5	1⅜	100	Nomura Singapore	1.375
Toyota Motor Corp. ¶‡	800	1992	5	1¼	100	Nomura Int.	1.250
Nokia Oy ¶‡	100	1992	5	5	100	Morgan Guaranty	5.000
Rouse Co. §‡	130	2002	15	5¾	100	Kleinwort Benson	5.750
Mentor Corp. §‡	30	2002	15	5¾	100	J. H. Schroder Wagg	5.750
Enhart Corp. §‡	50	2002	15	5¾	100	Shearson Lehman Bros.	5.750
Sanraku Inc. ¶	100	1992	5	(2½)	100	Nomura Int.	*
Central Finance Corp. (c)†‡	100	1997	10	27½bp	100	Kidder Peabody Int.	–
C. Itoh ¶	300	1992	5	(2¼)	100	Nikko Secs. (Europe)	*
C. Itoh (d) ¶	200	1992	5	(2¼)	100	Nippon Kangyo K'mara	*
Carps Ltd. (e)†‡	100	1992	5	3/16	100.1	Pru Bache Cap. Funding	–
Onoda Cement ¶	100	1992	5	(2¼)	100	Nikko Secs (Europe)	*
CANADIAN DOLLARS							
Sumitomo Bk Cap. Mkts ‡	100	1992	5	9⅝	101⅛	Sumitomo Fin. Int.	9.329
United Breweries ‡	50	1997	10	10	101	Morgan Guaranty	9.838
Mitsui Bank Canada **‡	10	1992	5	9.6	98.0	Mitsui Fin. Int.	10.128
World Bank ‡	150	1992	5	9⅝	101⅛	Wood Gundy	9.329
AUSTRALIAN DOLLARS							
Berliner Bank ‡	50	1990	3	14	101½	Westpac Banking Corp.	13.361
Deutsche Bk Australia ‡	125	1990	3	13¾	101½	Deutsche Bk Cap. Mkts	13.113
Oest. Laenderbank ‡	50	1990	3	14	101⅜	Banque Paribas	13.414
D-MARKS							
EIB ‡	200	1995	8	6½	99½	WestLB	6.208
Hoogovens ‡	150	1993	6	6⅛	100	Deutsche Bank	6.125
Eurofima (b)‡	100	1993	6	5½	112	Trinkaus & Burkhardt	3.285
SWISS FRANCS							
St. Genevieve Resources §‡	25 min	1992	–	5⅞	100	Banque Indosuez	5.861
TNT Ltd.	100	1995	–	(5)	(100¾)	Warburg Soditic	*
Saibu Credit **§‡	100	1992	–	½	100	Credit Suisse	0.500
Mitsubishi Oil **¶	150	1993	–	(⅝)	(100)	Credit Suisse	*
Norges Kommunalbk **‡	80	1992	–	4⅝	100¼	Bqe Gutzwiller, K.B.	4.318
DKB ‡	150	1997	–	4¾	100¼	Wirtschafts- und P'bank	4.718
Ishihara Sangyo **¶	100	1992	–	⅝	*	Swiss Volksbank	*
Hanwa Co. **¶	170	1992	–	(1)	*	Banca del Gottardo	*
FRENCH FRANCS							
Portugal †‡	700	1995	8	(a)	100.85	CCF	–
STERLING							
Land Securities §‡	84	2002	15	6¾	100	J. H. Schroder Wagg	6.750
ECUs							
EIB ‡	150	1997	10	7¾	101	Daiwa Europe	7.604
PESETAS							
Eurofima ‡	10bn	1997	10	12½	99.90	Morgan Guaranty	12.518
KUWAITI DINARS							
World Bank ‡	30	1994	7	7½	100	Nat. Bk of Kuwait	7.500
YEN							
Kraft Inc. ‡	15bn	1992	5	5⅛	101½	Nomura Int.	5.028

* Not yet priced. ‡ Final terms. ** Private placement. ¶ With equity warrants. § Convertible. † Floating rate note. ‖ Currency-linked. (a) 20bp over 3m Libor, if Libor 25bp over Pibor then 30bp over Pibor. (b) With currency warrants. (c) 27½bp over 3m Libid, additional $30m on tap. (d) Launched in Asia. (e) 3/16 over 6m Libor. Note: Yields are based on AIBD basis.

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New Issue — This announcement appears as a matter of record only — May 1987

New South Wales Treasury Corporation

(a statutory corporation constituted by the Treasury Corporation Act, 1983 of New South Wales)

A$100,000,000
14¼ per cent. Guaranteed Bonds due 1992

Guaranteed by

The Crown in Right of New South Wales

County NatWest Limited — State Bank of New South Wales

Algemene Bank Nederland N.V. — Bank of Tokyo International Limited
Bankers Trust International Limited — Banque Bruxelles Lambert S.A.
Banque Nationale de Paris — Bayerische Landesbank Girozentrale
Commerzbank Aktiengesellschaft — Daiwa Europe Limited
Fay, Richwhite (U.K.) Ltd. — HandelsBank NatWest (Overseas) Limited
McCaughan Dyson & Co. Limited — Mitsubishi Finance International Limited
Morgan Grenfell & Co. Limited — The Nikko Securities Co., (Europe) Ltd.
Prudential Bache Capital Funding — Wood Gundy Inc.
Yamaichi International (Europe) Limited

New Issue — This announcement appears as a matter of record only — May 1987

National Westminster Bank PLC

(Incorporated in England with limited liability)

£100,000,000
9 per cent. Deposit Notes 1992

County NatWest Limited

Algemene Bank Nederland N.V. — Bank of Tokyo International Limited
Bankers Trust International Limited — Banque Bruxelles Lambert S.A.
Banque Nationale de Paris — Barclays de Zoete Wedd Limited
Baring Brothers & Co., Limited — Commerzbank Aktiengesellschaft
Crédit Commercial de France — Crédit Lyonnais
Credit Suisse First Boston Limited — Daiwa Europe Limited
Deutsche Bank Capital Markets Limited — Fuji International Finance Limited
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft — Goldman Sachs International Corp.
HandelsBank NatWest (Overseas) Limited — Kansallis-Osake-Pankki
F. van Lanschot Bankiers N.V. — Lloyds Merchant Bank Limited
LTCB International Limited — McLeod Young Weir International Limited
Merrill Lynch Capital Markets — Mitsui Finance International Limited
Samuel Montagu & Co. Limited — Morgan Guaranty Ltd
Morgan Stanley International — The Nikko Securities Co., (Europe) Ltd.
Nippon Credit International Limited — Nomura International Limited
Orion Royal Bank Limited — Prudential Bache Capital Funding
Sumitomo Finance International — Sumitomo Trust International Limited
Svenska Handelsbanken Group — Swiss Bank Corporation International Limited
S.G. Warburg Securities — Westdeutsche Landesbank Girozentrale
Westpac Banking Corporation — Wood Gundy Inc.
Yamaichi International (Europe) Limited

New Issue — This announcement appears as a matter of record only — July 1987

NatWest Australia Bank Limited

(Incorporated with limited liability in the Commonwealth of Australia)

A$60,000,000
13⅞ per cent. Guaranteed Notes 1992

Guaranteed by

National Westminster Bank PLC

(Incorporated with limited liability in England)

County NatWest Limited
Hambros Bank Limited — Orion Royal Bank Limited
Westpac Banking Corporation

Algemene Bank Nederland N.V. — Bain & Company
Banca del Gottardo — Bank für Gemeinwirtschaft Aktiengesellschaft
Bankers Trust International Limited — Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets Limited — Baring Brothers & Co., Limited
Commerzbank Aktiengesellschaft — Commonwealth Bank of Australia
Credit Suisse First Boston Limited — Fay, Richwhite (U.K.) Ltd.
Genossenschaftliche Zentralbank AG Vienna — Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
HandelsBank NatWest (Overseas) Limited — F. van Lanschot Bankiers N.V.
McCaughan Dyson & Co. Limited — Merrill Lynch Capital Markets
Morgan Grenfell & Co. Limited — Morgan Guaranty Ltd
Morgan Stanley International — Nederlandsche Middenstandsbank nv
Nederlandse Credietbank N.V. — Rabobank Nederland
Salomon Brothers International Limited — Shearson Lehman Brothers International
Simonbank AG — Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited — Vereins- und Westbank Aktiengesellschaft
S. G. Warburg Securities — Westdeutsche Landesbank Girozentrale

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New Issue — This announcement appears as a matter of record only — July 1987

ASIAN DEVELOPMENT BANK

Asian Development Bank

£50,000,000
9½ per cent. Bonds of 1987–1997

County NatWest Limited

Mitsubishi Trust International Limited — Nomura International Limited
Algemene Bank Nederland N.V. — Bank of Tokyo Capital Markets Limited
Banque Bruxelles Lambert S.A. — Banque Nationale de Paris
Banque Paribas Capital Markets Limited — Baring Brothers & Co., Limited
Chase Investment Bank Limited — Commerzbank Aktiengesellschaft
Credit Suisse First Boston Limited — Deutsche Bank Capital Markets Limited
HandelsBank NatWest (Overseas) Limited — IBJ International Limited
Kleinwort Benson Limited — LTCB International Limited
Morgan Grenfell & Co. Limited — Morgan Guaranty Ltd
Nippon Credit International Limited — J. Henry Schroder Wagg & Co. Limited
Sumitomo Trust International Limited — Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited — S. G. Warburg Securities

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COUNTY NATWEST

The NatWest Investment Bank Group

Richard Tomkins on the history of a hybrid offer for sale akin to the latest Government privatisation

Why BAA may fear the tender trap

THE UNUSUAL fixed-price-cum-tender offer about to be used for the flotation of BAA (formerly the British Airports Authority) was widely hailed as unique when it was unveiled a fortnight ago. So it is, in that it will feature the first London equity tender where the price bid for the shares is the price actually paid.

Yet certain aspects of the offer's structure do have their antecedents in another hybrid issue not so long ago: and that attempt at getting the best of both worlds did not set a particularly encouraging example.

The case in point is Blagden Industries. This is not, as it sounds, a make-believe company from the Fosdyke Saga strip cartoon. It is a Hertfordshire-based manufacturer of steel drums, chemicals, protective equipment and plastic mouldings with a market valuation of £59m (29.288m x 203p).

Two years ago it was a much smaller company in which a New York based conglomerate called City Investing held a 34 per cent stake. Then City Investing decided to wind itself up.

This had two consequences for Blagden. One was that a home had to be found for City Investing's stake, and the other was that Blagden had the opportunity to double its size by acquiring City Investing's substantial steel drum manufacturing businesses in Europe for £25m.

The problem was in doing both at the same time. City Investing's stake could fairly easily be placed with institutional investors, but since the acquisition was too large to fund from cash, the placing would coincide with a very large issue of new Blagden equity and therefore put downward pressure on the value of City Investing's stake.

N. M. Rothschild, Blagden's merchant bank adviser, hit on a solution aimed at keeping City Investing happy. The US company's stake was placed at 112p, a substantial discount to the price of 130p at which Blagden's shares were suspended. Then it received 14.95m new Blagden shares (plus £9m cash) in exchange for its steel drum interests, and the shares were sold to the market on its behalf by Rothschild.

To compensate City Investing for the reduction in value of the shares that had been placed, some 9m of the shares were sold in an ordinary offer for sale at a fixed price of 112p, but the other 5.95m shares—roughly equivalent to the number which had been placed—were offered through a tender.

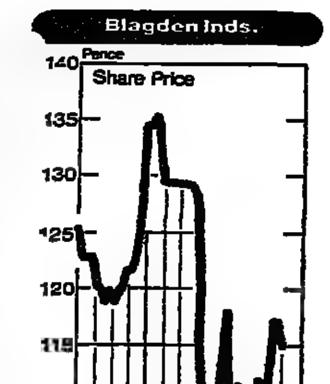
That way, the thinking went, City Investing would effectively receive full market value for the stake that had been placed.

A distinguishing feature of the tender was that the striking price was set not intellectually as in conventional tenders, but mathematically: that is to say, it was set at a level which meant the tender was exactly subscribed. Rothschild was therefore left with no discretion to strike a lower price if it felt the bidding had gone unrealistically high.

This was the offer's undoing, fo runrealistically high is just where the bidding went. Those connected with the issue recall how small investors poured into the tender with bids at 200p or more—for shares, it should be recalled, which had been suspended at 130p and which faced dilution because of the acquisition.

On the face of it, the offer looked highly successful. It was subscribed eight times and the striking price for the tender shares was set at 130p—coincidentally, the same as the suspension price. But that price was unsustainable because of the dilution of the equity, and the professionals knew it.

As soon as dealings resumed,



there was an exodus: the shares dropped to 111p and were to see even lower levels in the weeks to come, leaving all those who won shares in the tender nursing some rather nasty wounds.

As part of its post mortem into the affair, Rothschild conducted an experiment in which it stripped out all the small investor applications from the tender offer. It discovered that the striking price which would have been set if the professionals alone had applied would have been 115p—a sensible price which would probably have found support in the after-market.

The moral from this tale seems to be that the public cannot be trusted to bid sensibly in a tender offer. That in turn implies two possible solutions: either tenders should not be held at all, or a minimum level of application should be set to discourage small investors from dabbling in them.

The advisers to the BAA flotation clearly do not accept the first solution, but they have made some concession to the second. A minimum application level of 1,000 shares has been set for the BAA tender compared with 150 for the fixed price part of the offer. But since the shares are only partly paid, that will act as a disincentive only to the very smallest investors.

So what are the other implications? Like the Blagden offer, the BAA is part fixed price and part tender. The tender is also one in which all the shares will go to the highest bidders, with no arbitrary striking price being set. The main difference is that in the BAA offer, the tender shares will be sold to successful bidders at whatever price they tender: there will be no striking price at all, either intellectual or mathematical.

This could suggest a potentially horrifying scenario in which small investors rush into the issue not only bidding ludicrously high prices for the shares, but actually having to pay those prices. These people could then stand to take heavy losses on their investments, and would also exert downward pressure on the after-market as they sold in an attempt to cut their losses.

The counter-argument is that the lack of a striking price will make the BAA tender much safer. In tenders where there is a striking price, people who want to be sure of getting shares bid high in the knowledge that the striking price they eventually pay will be lower.

Provided County NatWest, the merchant bank to the BAA issue, successfully drums home the message that people will have to pay whatever they tender, the bids will become much more cautious.

It may well work, but inevitably some people will bid at silly prices. The success or otherwise of the BAA experiment could ultimately depend on just how numerous they are.

Trafalgar House in final £212m offer for PFPUT

BY DAVID WALLER

Trafalgar House, the shipping, property and construction group, has made an increased and final offer for the Pension Fund Property Unit Trust.

The cash offer is £2,650 per unit valuing the trust's property portfolio at £212m, against the £2,500 per unit, or £200m for the portfolio, offered last month.

As an alternative, PFPUT shareholders are offered Trafalgar shares to the value of £2,650 per unit plus a premium of approximately £100. The offer compares with the June redemption price of £2,385, and the March price of £2,135.

In addition, Trafalgar is pressing PFPUT's committee of management to agree to an extraordinary meeting to discuss the sale of the portfolio. Trafalgar asked to meet the committee last week, and yesterday said that it had received no response.

"They appear to have their heads in the sand," said Trafalgar. "They seem to be hoping that we will just go away."

Although Trafalgar has secured more support from unitholders than the 10 per cent required to call a mandatory extraordinary general meeting, it wishes PFPUT to recommend the meeting to avoid complications.

Trafalgar will not proceed with its proposals unless PFPUT has acted by July 16 to convene the extraordinary general meeting. PFPUT was unavailable for comment yesterday.

The regulations covering property unit trusts require that Trafalgar secures the approval of holders of 75 per cent of the units for its plans to wind-up the trust and dispose of its assets.

Ladbroke puts £155m into US property sector

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Ladbroke, hotels, property, gaming and retail group, is to invest \$250m (£154.8m) in the US property sector, Mr Cyril Stein, chairman, said

The spending would be done through London and Leeds Corporation, Ladbroke's US property subsidiary, doubling the group's American property holdings during the next five years.

In the last annual report, the US investment properties were valued at £160.7m and its trading properties at £46.5m.

Mr Stein explained that London and Leeds had contracted for the construction and purchase of a further 1m sq ft of space to add to the 1m sq ft the group had already built.

His comments coincided with the announcement that Ladbroke had appointed a new chief executive for London and Leeds. He is Mr Tony Grant, the founder of Grant and Partners, chartered surveyors, who has been a non-executive director of Ladbroke Group Properties for 15 years.

Mr Grant has a five-year contract, which entitles him to up to 10 per cent of the increase in the value of the London and Leeds developments.

The moves underline plans for a sharp expansion of Ladbroke's involvement in the US, which is concentrated on the eastern seaboard, following two years of consolidation.

Barr & Wallace board intact

BY JANICE WARMAN

TWO SHAREHOLDERS failed to prevent the re-election of two non-executive directors at the annual meeting of Barr & Wallace Arnold Trust on Friday.

Mr Richard Mansell-Jones, deputy chairman of the merchant bankers Brown Shipley who are advisers to Barr & Wallace, and Lord Marshall, chairman of the Mutual and Municipal Insurance Company, and brother-in-law of the chairman, Mr Malcolm Barr, were returned to the board.

Mr Kenneth Sayle and Mr Kerry Firth, who have a joint 12.5 per cent holding in the company, maintained that the re-election contravened the Code of Practice issued in April by ProNed, which promotes non-executive directors, and is sponsored by the Bank of England, the Stock Exchange and the Confederation of British Industries, among others.

The code suggests that non-executive directors should be independent of management.

Mr Sayle, who spent six years as a business consultant with the tour operators, car sales and fuel distribution company, said ProNed's recommendation was that the code should be implemented "as soon as possible" by companies with turnover exceeding £50m.

Mr Sayle said that while he had the greatest admiration for both directors, neither were eligible for re-election under the terms of the Code, because they were not independent.

"The family owns 40 per cent of the voting capital. The other 60 per cent of voting shareholders is not represented."

Mr Barr said he felt both directors were sufficiently independent, and pointed out that Brown Shipley was not the company's only financial adviser.

He would like to see the election of another non-executive director who was independent of the management and the family, he added. "But I would like to do it in my own time rather than under pressure."

Barr & Wallace produced a 32 per cent improvement in pre-tax profits from £1.01m to £1.33m for the year to December 1986.

Apricot says bid for Wordplex is 'fair and reasonable'

Apricot Computers, the Birmingham-based computer group whose previously recommended bid for loss-making Wordplex ran into a rival higher and also recommended — offer from Norsk Data on Thursday, said that it believed its existing terms are "fair and reasonable."

The bid, it added, "fully valued Wordplex in its present state." Neither Apricot, nor its advisers, wished to elaborate on the statement but on the stockmarket Wordplex shares held steady at 157p — 2p above the value of the Norsk Data cash offer.

The Apricot offer reaches its first close on July 10, and could then be extended.

Debfor suspended

Shares in Debfor Holdings, the USM-quoted lingerie manufacturer, were suspended at 330p on Friday at the company's request, pending an announcement.

Debfor produced a 46 per cent boost in its 1986 pre-tax profits to £2m.

FT Share Information

The following securities have been added to the Share Information Service:

BDA Hldgs. (Section: Property)
Barham Group Cnv. Cum. Red. Pref. (Paper, Printing)
Computer People (Industrials)
de Morgan (Property)
Irish Wire Prods. (Industrials)
Lacana Mining Corp. (Canadians)
March Group (Motors)
Pickwick Group (Leisure)
River & Mercantile, Capital, Income, Warrants, and Stepped Preference (Investment Trusts)
Royex Gold Mining Corp. (Canadians)
Smith Doctus (Industrials)

Burtonwood Brewery up

Burtonwood Brewery, which is based in Warrington, increased its pre-tax profits from £2.04m to £2.66m in the year to March 31, 1987.

Group turnover was up from £30.46m to £30.55m. A three-for-one scrip issue is proposed. The final dividend is raised from 8.3p to 9.2p net for an increased total of 11.7p compared with 10.8p.

A revaluation of the company's licensed properties gave rise to a surplus over book value of £14.3m.

Tax for the year came to £796,000 against £298,000, and there was an extraordinary debit this time of £387,000 relating to closure costs of the bottling operation.

Phoenix Props. lifts profits

Phoenix Properties and Finance, property investment company, trebled pre-tax profits from £7,049 to £21,722 in the six months to March 31. This figure was in line with expectations. For the year ended September 1986 taxable profits totalled £115,998.

Mr G. R. Simmonds, the new chairman, said the results reflected the increased activity of the group in developing and expanding its operations, the full benefits of which would be evident in the full year results.

After a tax charge of £4,400 (£10,000 credit) earnings per share were little changed at 0.14p (0.15p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Glass Glover, Securigard, Sayhawk.

Finals: Beaverco, Brown and Tawse, Carclo Engineering, Leopold Joseph, Logitek, Markheath Securities, Nobo, Real Time Control, Scottish and Newcastle Breweries, Textured Jersey, Vibroplant, Vinten.

FUTURE DATES

Interims—	
AGA	Aug 26
Alexanders Holdings	July 7
Commercial Union	Aug 12
Cookson	Sept 10
Evode	July 9
Habit Precision Engineering	July 7
Kershaw (A.)	July 16
Marley	Aug 27
P-E International	Sept 10
Rank Organisation	July 16
Tribune Investment Trust	July 17
Westwood Dawes	July 10
Finals—	
Burnett and Hallamshire	July 7
Fitch Lovell	July 9
Fleming Technology Inv. Tst.	July 21
Merrydown Wine	July 31

FINANCIAL TIMES STOCK INDICES

	July 3	July 2	July 1	June 30	June 29	June 26	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.03	90.10	90.26	90.49	90.41	90.68	93.32	84.49	127.4	49.18
Fixed Interest	97.13	97.13	97.36	97.22	97.04	97.36	99.12	90.23	150.4	50.53
Ordinary	1818.5	1794.6	1772.1	1782.6	1784.6	1790.7	1818.5	1320.2	1818.5	49.4
Gold Mines	378.9	385.7	384.6	378.9	380.7	376.2	485.0	288.2	734.7	43.5
FT-Act All Share	1174.69	1161.60	1149.15	1153.12	1153.43	1151.76	1174.69	835.48	1174.69	61.92
FT-SE 100	2328.1	2297.4	2269.8	2284.1	2289.3	2291.3	2328.1	1674.5	2328.1	986.9

MANAGEMENT

International publishing

Bertelsmann: going for the bigger steps in the US

Andrew Fisher explains how the W German media group scaled up its expansion programme

FLYING ACROSS the Atlantic for a day's work might seem impossible or just plain crazy to most people. But for Mark Woessner, the silver-haired chairman of Bertelsmann, the big West German media group, it has become commonplace.

Late last year, Bertelsmann astonished the media world by snapping up not one, but two leading US companies to become the largest international media concern. First, it announced the $330m acquisition of the RCA music business, with which it already had a joint venture. Then it bought the lacklustre Doubleday publishing concern for $475m.

In the build-up to these two large deals, there was plenty of time to put Woessner's long distance flying routine into practice. When he decides on an eight-hour US stint, he rises at seven, takes the company's Falcon jet to Paris, steps onto Concorde, is met in New York (where it is morning), and gets straight down to work, skipping lunch.

Bertelsmann is not only separated from the US by 3,000 miles of Atlantic Ocean, it is not even based in a major German city; Woessner's starting point is the small northern country town of Guetersloh. To return from New York, he catches a normal evening flight, is met by the company plane and taken to head office for the next day. Other Bertelsmann managers do the same, though not all US trips last only one day.

Apart from being a neat, if seemingly exhausting, example of logistical problem-solving, it shows how a company so firmly rooted in a north German provincial town can develop a worldwide dimension. Clearly, it demands intensive planning and concerted effort, both second nature to many German firms. But the fast-growing family group, which has financed much of its past expansion through its own financial resources, is also keen to retain its sense of identity.

It believes ardently in the decentralised approach, giving managers the chance to flourish as entrepreneurs in their own profit centres. This means picking the right people, motivating them, and setting a strategic framework within which they can operate. This is done in Guetersloh.

"Decentralisation," says Woessner, a loquaciously enthusiastic advocate, "functions only with a healthy understanding for central strategy and a central corporate philosophy."

Otherwise, "it is unordered chaos." That, clearly, would not be tolerated by the sharp minds in Guetersloh. Already, the integration of both RCA and Doubleday is going faster than expected. When Bertelsmann formally took over both companies on January 1 this year, "we went to work with a ready-made concept," says Woessner. At 48, he is a qualified engineer who came up through the group's profitable printing division.

He still reckons it will take three years to digest them fully. In a full year, they will add some DM 3bn ($1.6bn) of sales to Bertelsmann, whose turnover has shot up from below DM 5bn in 1979-80 (year to June 30) to nearly DM 8bn in 1985-86. Around DM 10bn is expected for the year just ended. But asset write-downs and other financial adjustments in the US will temporarily depress net profits from the DM 330m of 1985-86.

On the management side, it quickly put in a new team at Doubleday, which had been losing money until shortly before the sale by its family owners. It also meshed its publishing, book club, and printing divisions with those of Bertelsmann, which already owned the big Bantam book publishers.

At RCA, it has taken a different route. It knew the company through the joint venture between RCA and its own Arista company, bought in 1979 just as the music business toppled into depression. So it was familiar with the needs of the business and assembled a group of managers from within RCA itself, from its own music interests—the whole music operation is now called Bertelsmann Music Group — and outsiders.

It will trim office staff, shed surplus record and printing capacity, and turn its attention to sharpening quality and artistic standards at RCA and Doubleday. On the music side, it has teamed creative thinkers with business strategists. "It is very hard to find a person who can be both, who has long hair and goes to rock concerts at night and is a cool, clear-headed businessman the next morning."

Bertelsmann had already been forging ahead in the US, not always with success. Its Gruener und Jahr magazine subsidiary, for example, failed expensively when it tried to launch Geo, a snazzy geographic magazine, there. But with the two huge strides of last year, around 30 per cent of group sales are now in the US.

Mark Woessner: going to work with a ready-made concept

The transatlantic push was carefully worked out by Bertelsmann. It spent nearly two years looking for the right companies, while also starting to build up a stake within Germany in electronic media like satellite TV, compact discs, and data storage. The decision to expand more forcefully in the US, the world's biggest media market, came after a consolidation period in the first half of the 1980s. "Our financial position was comfortable and we had reached a starting point for bigger steps," explains Woessner.

No company other than Doubleday would have been so suitable, he insists. Some in the industry reckon Bertelsmann paid a very high price for Doubleday. Others point to its success with Bantam, publisher of the hot-selling autobiography of car executive Lee Iacocca, and with magazines such as Parents. "The price seemed a bit high from an outside point of view," reckons Kendrick Noble, media analyst at Paine Webber, the US analysts. "But it was a unique situation."

As for RCA, it was General Electric's purchase of it in December 1985 that started Bertelsmann's eyes glinting. "We could see in advance that GE would leave the music business," says Woessner. "We signalled to GE very early that we were interested in a takeover." Its contracts with RCA, of which it also owned 25 per cent in an international pooling of music activities, gave it an edge over other interested parties.

Despite its ambitions, the German company was still wary about making two large purchases within a few months. It had not expected its search to yield two such opportunities and wondered if its management could cope. The money was not a problem, with a high cash position and heavy spending already envisaged. The two purchases were financed through a mixture of cash, bank loans, and an issue of non-voting preferred stock to US investors. Its cash position at the end of the 1985-86 financial year was DM 850m.

In the end, Woessner says, "we thought both projects in their different ways had a particular strategic value." Also, "we felt that because both acquisitions were in totally different sectors, we could put in the management capacity to integrate them." In this, he was backed by Reinhard Mohn, a fifth generation Bertelsmann family member who stepped down as chairman in 1981, aged 60, after building up the company from the ashes of the Second World War.

Mohn, who was imbued with the notion of decentralisation while studying in a US prisoner of war camp in the US, had promoted Woessner to the top job in 1983. He had been unhappy with the way his first successor, Manfred Fischer, seemed unwilling to look beyond consolidation.

Under Mohn's leadership, the company had expanded into book clubs, records and magazines. It has modern printing works in and outside Germany, and a big computerised book distribution centre in Guetersloh. Mohn introduced profit centres, of which there are now some 200, employee participation, and generous social benefits.

Now head of the supervisory board, he and his family own 89 per cent of the shares. Gerd Bucerius, the Hamburg publisher, acquired 11 per cent of the shares when he exchanged them for his holding in Gruener und Jahr, which Bertelsmann purchased for cash and shares in the 1970s. As with many German family companies, the shareholders have only taken modest dividends. Non-voting participation certificates have been issued to staff and investors.

Bertelsmann began as a religious publisher in 1835, a tradition which led the Nazis to close it down more than a century later. British bombs then destroyed much of the printworks. So Mohn started with fresh ideas and broke away from the old patriarchal system.

"In Germany," says Woessner, "nobody knew what decentralisation was in 1945 after the war. Europe had been ruled in centralised structures for hundreds of years. There were Kaisers, then an attempt at a democracy that didn't work—a central democracy, the Weimar Republic—and then the Hitler dictatorship. The big groups like IG Farben and Krupp became big through centralisation."

Mohn's belief in decentralisation, the pluralistic linking of different activities and viewpoints, and motivation through employee participation and advanced social benefits was thus wholly alien to German society at that time.

The combination has clearly worked for Bertelsmann. Other German companies have moved in similar directions, but, admits Woessner, errors can result from decentralisation. The fake Hitler diaries scandal at Stern magazine was one. The Geo flop in the US was another.

More recently, the German rights of the Iacocca book were sold not to Bertelsmann, but to its West German publishing rival, Econ Verlag. Bantam wanted a high price and the German publishing end, in Munich, did not think it would be a hit in Germany, where it has since sold well. The group's book club had to buy the rights from Econ.

"In a monostructural company like General Motors or IBM that would not be possible," says Woessner. "They would say, that is bad management. We say, it is beautiful management, because it brings hundreds of independent companies to the fore. They have the possibility of synergy at many levels and can choose themselves which synergies they use."

Bertelsmann has no plans to add to its operations in the next few years, with yearly capital investment likely to total some DM 1bn. Woessner says it is an accident that it has become the biggest media concern with the latest purchases. "It is not our goal to aim at size at any price," he says. But in the 1990s, it will turn its gaze further afield, perhaps to Asia.

And if it wants to grow faster than the targeted 15 per cent a year by adding new units, it may well go to the stock market. "With parts of our US business, we could go to the US stock market, with parts of the European business to stock markets there."

Even when Bertelsmann is digesting, its cerebral wheels are still turning.

Management abstracts

Company fraud. T. Nash in Chief Executive (UK), Feb 87 (3 pages)
Reports on findings of studies into the extent of fraud in UK businesses; discovers that it has reached almost epidemic proportions with companies prepared to budget for loss and unwilling to prosecute through fear of bad publicity; considers computer and purchasing fraud.

Correcting tunnel vision. I. I. Mitroff and S. Mohrman in The Journal of Business Strategy (US), Winter 87 (11 pages)
Focusses attention on two of the oldest industries in the US: steel and cars, both ailing and only one judged to be capable of recovery (cars); exposes in detail the rarely articulated but deep beliefs and basic assumptions that have guided their behaviour; uses this information as a base line for making comparisons with other industries; suggests what is needed to revitalise other basic industries and to enable industry as a whole to compete globally.

Conveying the bad news. I. Broeze in Elan (Netherlands), January 1987 (2 pages, in Dutch, English version available)
Makes the point that having to tell executives that they are being dismissed can be as traumatic for those doing the telling as for those being told. Warns against others being present, or disclosure of the bad news at a meeting, and offers other advice.

Performance through intervention using organisational change methods. A. Huczynski in European Management Journal (UK), Spring 1987 (7½ pages)
Skates over the current trends in management fads and panaceas and management by aphorism (propounded by the new gurus); regrets that following these trends often means that a systematic method is not adopted, and argues that—if organisational change is to be pursued—managers have to define the problem area(s), understand techniques available, and match the two components together, tabulates technique selection methods according to the type of problem (eg encouraging innovation) and technique—be they, for instance, technical or structural.

The law and smoking at work. D. Tong in Facilities (UK), Feb 87 (1½ pages)
Sees an increasing desire for the control of smoking in the workplace (from both smokers and non-smokers, according to one poll) arising from recent "passive-smoking" publicity, but a reluctance on the part of employers to take action. Looks at possible courses of action—eg recruiting only non-smokers (legal); consulting with staff on smoking restrictions, introducing special smoking areas, outlines statutory rights to which non-smokers have recourse.

In search of competence. I. L. Mangham in Journal of General Management (UK), Winter 86 (8 pages)
An ironic title for an article which, based on a survey of senior managers asked to define desirable skills in managers, launches into an attack on the lack of management training, the failure to appreciate exactly what training might be for, and the evidence of some charlatans in the training field and in the pop-management literature, who prescribe cure-alls in the fashion of old-time purveyors of patent medicine. Appreciates that much of the problem lies in not understanding what terms like "effectiveness" and "communication" mean and therefore what is required from training.

Shopfloor data capture. D. Potts in Engineering Computers (UK), March 1987 (4 pages)
Describes how shopfloor data collection systems can link computerised production control systems with the production process itself; provides examples of their use at Automotive Products (brakes), Metron (metal fabricators) and W. M. Still (commercial kitchen equipment); explains how they give timely and accurate data and can also improve scrap rates and machine utilisation when used as a stand-alone system; gives a list of makers/suppliers of data capture systems.

People and organisations: the hidden energy resource. P. Ellis in Facilities (UK), February 1987 (3 pages)
Discusses how to get people who occupy buildings to use energy sensibly and efficiently; outlines technological, behaviour and human resources approaches to energy management; classifies measures to bring about change in energy use as institutional (e.g. appoint an energy manager), informational, motivational (such as incentives), and technical (installing automated controls).

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p & p: cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 3 1987					THURSDAY JULY 2 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (96)	136.31	−0.2	125.52	126.11	3.13	136.56	125.36	126.11	141.44	99.92	77.66
Austria (16)	86.15	−0.6	79.33	82.18	2.51	86.65	79.54	82.31	101.62	85.71	86.96
Belgium (48)	124.66	+2.3	114.79	117.59	4.09	121.84	111.85	114.33	124.66	96.19	82.66
Canada (132)	131.15	+1.4	120.77	126.02	2.25	129.36	118.75	124.58	136.17	100.00	99.61
Denmark (39)	115.41	−0.3	106.28	109.33	2.55	115.80	106.30	109.30	124.10	98.18	97.04
France (122)	110.40	+1.9	101.66	106.11	2.67	108.35	99.47	103.81	121.82	98.39	87.82
West Germany (92)	96.61	+0.5	88.97	92.42	2.06	96.13	88.25	91.56	100.33	84.00	81.94
Hong Kong (45)	127.21	−0.6	117.14	127.55	2.83	127.95	117.46	128.28	127.95	96.89	71.04
Ireland (14)	134.01	+0.7	123.41	129.65	3.47	133.06	122.15	128.03	134.01	99.50	94.25
Italy (76)	96.48	+0.9	88.84	95.97	1.89	95.63	87.79	94.77	112.11	94.76	85.80
Japan (458)	138.75	−2.2	127.77	130.51	0.52	141.88	130.24	132.06	161.28	100.00	82.88
Malaysia (36)	173.73	+1.2	159.98	169.30	2.24	171.72	157.64	167.19	173.73	98.24	82.47
Mexico (14)	257.08	+4.4	236.74	380.16	0.60	246.17	225.98	364.02	268.91	99.72	48.82
Netherland (38)	124.51	+0.9	114.66	117.75	3.77	123.44	113.32	116.28	124.51	99.65	90.52
New Zealand (26)	98.85	+0.4	91.03	88.13	3.21	98.44	90.37	88.13	100.59	83.93	72.55
Norway (24)	140.92	+0.2	129.76	128.48	2.23	140.61	129.08	128.02	140.92	100.00	100.73
Singapore (27)	149.29	+1.6	137.48	145.89	1.69	146.95	134.90	143.46	149.29	99.29	77.53
South Africa (61)	157.32	−0.1	144.87	118.61	3.47	157.46	144.54	118.71	186.74	100.00	76.83
Spain (43)	120.44	−1.3	110.90	116.06	3.41	122.04	112.03	117.09	123.93	100.00	80.85
Sweden (33)	114.70	+1.3	105.62	108.84	2.14	113.22	103.93	107.14	124.68	90.85	93.23
Switzerland (53)	98.48	+0.6	90.68	93.41	1.82	97.89	89.86	92.36	104.06	92.01	86.46
United Kingdom (336)	152.51	+0.8	140.44	140.44	3.11	151.23	138.83	138.83	153.12	99.65	102.74
USA (591)	124.92	+0.0	115.03	124.92	2.90	124.91	114.67	124.91	126.68	100.00	105.47
Europe (934)	123.35	+0.8	113.59	116.25	2.80	122.32	112.29	114.87	123.35	99.78	91.99
Pacific Basin (688)	138.15	−2.1	127.22	130.06	0.70	141.05	129.48	131.50	158.77	100.00	82.31
Euro–Pacific (1622)	132.27	−1.0	121.81	124.53	1.48	133.60	122.64	124.84	143.65	100.00	86.13
North America (723)	125.25	+0.1	115.34	125.00	2.86	125.15	114.88	124.91	126.70	100.00	105.16
Europe Ex. UK (598)	105.25	+0.8	96.92	101.13	2.53	104.37	95.82	99.88	107.75	98.02	85.50
Pacific Ex. Japan (230)	130.88	−0.1	120.52	124.39	2.93	131.05	120.30	124.45	131.05	99.92	75.07
World Ex. US (1829)	132.58	−0.9	122.09	124.69	1.54	133.77	122.81	124.93	143.38	100.00	86.47
World Ex. UK (2084)	127.33	−0.7	117.25	123.35	1.92	128.25	117.73	123.67	133.61	100.00	93.09
World Ex. So. Af. (2359)	129.38	−0.6	119.14	124.94	2.04	130.11	119.44	125.09	135.02	100.00	94.02
World Ex. Japan (1962)	125.22	+0.3	115.31	122.16	2.85	124.80	114.57	121.61	125.22	100.00	99.19
The World Index (2420)	129.56	−0.6	119.31	124.92	2.05	130.29	119.60	125.07	135.15	100.00	93.91

Base values: Dec 31, 1986 = 100

CONSTITUENT CHANGES: Deletions: Leaseway Transo (US), US Debenture Corp. (UK) and Saga Petroleum (Norway)
Name Changes: Dorsey Corp. to Constar Intl. Inc. (US) and Cement-Roadstone to CRH (Ireland)

Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Aug 87		Nov 87		Feb 88		
GOLD C	$480	71	4.70	57	14.10	28	23.50	$444.50
GOLD C	$500	2	1.50	—	—	11	18	"
GOLD P	$400	—	—	5	5.50	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$650	5	95	—	—	—	—	$729
SILVER C	$800	—	—	4	75	—	—	"
SILVER C	$850	—	—	27	55	—	—	"
SILVER C	$900	—	—	6	45	—	—	"
SILVER C	$1000	5	10	—	—	—	—	"
		Jul 87		Aug 87		Sep 87		
$/Fl. C	Fl.190	—	—	—	—	1	16.50	Fl.207.05
$/Fl. C	Fl.200	—	—	40	7	25	7.50	"
$/Fl. C	Fl.205	25	2.20	2	3.50	7	4	"
$/Fl. C	Fl.210	—	—	10	1.20	24	2.30	"
$/Fl. P	Fl.200	—	—	—	—	2	1.60	"
$/Fl. P	Fl.205	25	0.70	18	1.90	—	—	"
$/Fl. P	Fl.210	—	—	5	4.80	—	—	"
		Dec 87		Mch 88		Jun 88		
$/Fl C	Fl.190	—	—	8	16.80	—	—	Fl.207.05
$/Fl C	Fl.200	8	8	10	9.10	—	—	"
$/Fl C	Fl.205	69	5.90	—	—	10	8.30	"
$/Fl C	Fl.210	6	3.70	15	5	3	6	"
$/Fl C	Fl.215	—	—	3	3.50	—	—	"
$/Fl C	Fl.220	10	1.20	—	—	—	—	"
$/Fl P	Fl.200	37	3.60	12	5.70	1	7.60	"
$/Fl P	Fl.205	46	6.10	—	—	1	9.50	"
$/Fl P	Fl.210	1	8.20	—	—	—	—	"
		July 87		Oct. 87		Jan 88		
ABN C	Fl.480	114	6.50	39	17.90	8	29	Fl.480
ABN P	Fl.480	148	5	35	19.50	2	21.50	"
AEGON C	Fl.100	800	2	730	5	251	6.50	Fl.99.50
AEGON P	Fl.90	8	0.40A	106	1.50	—	—	"
AHOLD C	Fl.100	22	3.20	30	7.50	2	9	Fl.104.80
AHOLD P	Fl.100	18	0.50	118	3.20	—	—	"
AHOLD C	Fl.100	19	5.30	10	8	—	—	"
AHOLD P	Fl.95.50	—	—	10	1.60	—	—	"
AKZO C	Fl.150	1480	7.80	619	13	121	16.40	Fl.157.20
AKZO P	Fl.150	57	0.60	249	3.20	447	5.20	"
AMEV C	Fl.70	16	0.40A	191	2	1	3.80	Fl.65.70
AMEV P	Fl.65	63	1.20	22	2.80	—	—	"
AMRO C	Fl.80	116	0.60	199	3.20	96	4.90	Fl.77.30
AMRO P	Fl.75	31	0.50	31	2.70	—	—	"
GIST-BROC. C	Fl.45	802	2.90	191	4.80	109	6	Fl.48
GIST-BROC. P	Fl.45	152	0.40	62	1.80	229	2.70	"
HEINEKEN C	Fl.180	148	2.80	93	8.90	—	—	Fl.179.60
HEINEKEN P	Fl.180	25	2.50	55	6.20B	10	7.50	"
HOOGOVENS C	Fl.45	698	2.10	380	4.50	170	6.30	Fl.45.80
HOOGOVENS P	Fl.45	4	1	296	2.90	10	3.80B	"
KLM C	Fl.50	631	2.50	1904	4.20	263	5.40	Fl.52.30
KLM P	Fl.50	5	0.40	183	2.20	450	3	"
NEDLLOYD C	Fl.150	178	6.30	162	11.70	23	15	Fl.155
NEDLLOYD P	Fl.140	60	0.30	52	3	5	5	"
NAT.NED. C	Fl.75	245	1.30	621	4	54	5.90	Fl.74.20
NAT.NED. P	Fl.75	97	2	130	4.30	7	4.80	"
PHILIPS C	Fl.50	1661	2.40	705	4.80	223	5.70	Fl.52.40
PHILIPS P	Fl.50	865	0.20	749	1.50	131	2.50A	"
ROYAL DUTCH C	Fl.270	2000	11.50	1602	16.50	100	18.80	Fl.281.20
ROYAL DUTCH P	Fl.260	5	0.10	339	3.30	24	5.90	"
ROBECO C	Fl.100	5	7.30	—	—	—	—	Fl.106.90
ROBECO P	Fl.110	—	—	4	3.70	—	—	"
UNILEVER C	Fl.136	1286	2.60	357	8	10	11.40	Fl.137.50
UNILEVER P	Fl.136	431	1.60	270	4.50	—	—	"

TOTAL VOLUME IN CONTRACTS: 63,794

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	10
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	Trustee Savings Bank	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp.	¶11.2
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§77	F.P.	—	122	98	Barratt (Henry) 10p	117	......	R2.81	2.2	3.3	18.7
§77	F.P.	30/6	113	96	‡BoddeLam'aces10p	113	+2	L2.4	2.4	2.9	19.8
155	F.P.	—	182	158	Britannia Group (5p)	181	−1	R3.85	3.0	2.9	15.7
250	F.P.	—	334	250	Caradon 5p	334	......	L6.0	3.0	2.5	5.8
—	F.P.	—	23	10	ChildHealthRes.Wrts	21½	......	—	—	—	—
§125	F.P.	—	185	143	‡Colorgraphic 10p	182	......	L3.0	2.8	2.2	21.2
§120	F.P.	31/7	165	150	‡Colorvision 5p	158	......	R2.2	2.7	1.9	26.3
§120	F.P.	—	180	160	*Comac Group (5p)	160	......	—	—	—	—
‖‖	F.P.	—	190	166	Cresta Hldgs 10p	175	−7	—	—	—	7.2
§95	F.P.	—	140	113	Elga 5p	133	......	L21	3.20	2.2	19.7
§80	F.P.	—	108	101	*Far East Res. 10p	108	+5	—	—	—	—
§178	F.P.	—	236	223	Glamar Group 10p	235	+2	u6.5	1.7	3.8	20.7
§170	F.P.	1/7	205	188	H'bros Adv. Tech Tst	199	......	—	—	—	—
§135	F.P.	—	193	184	Harland Simon (10p)	193	+3	L1.9	4.1	1.3	25.0
§105	F.P.	5/8	215	105	‡Knobs & Knockers 10p	140	......	L1.17	4.60	1.1	26.1
§165	F.P.	—	228	165	Lancaster	168	......	L2.75	3.5	2.2	17.3
5	F.P.	22/7	210	190	‡Learm'th & Burch 10p	208	......	Lh1.3	5.8	0.9	27.4
§130	F.P.	15/7	177	163	Neotronics 5p	175	......	R1.8	4.2	1.4	23.1
—	F.P.	—	140	80	Oriflame Int Warrants	140	......	—	—	—	—
§83	F.P.	—	101	88	Practical Inv.	101	......	—	—	—	—
§200	F.P.	—	205	201	Primadona	204½	−½	92.25	5.1	1.5	17.7
§165	F.P.	31/7	265	183	‡Ross C'sum. Elec. 10p	255	......	L3.5	2.6	1.9	27.6
‡100	F.P.	—	103	97	Saltire Insurance	98	+1	—	—	—	—
§125	F.P.	19/6	200	155	‡Sharp & Law 10p	192	......	u3.0	2.4	2.1	26.3
§92	F.P.	24/6	100	93	‡Shoraloize 5p	93	......	u1.6	3.6	2.3	16.3
§20	F.P.	17/7	49	31	‡Stanco Exhibition 5p	49	......	0.292	4.0	0.8	41.6
145	F.P.	17/7	195	147	Tie Rack 5p	147	−3	R1.1	4.2	1.0	31.9
§125	F.P.	6/4	167	158	‡UCL Group 5p	163	+2	u2.51	2.8	2.1	23.0
§130	F.P.	—	193	175	Warner Howard 5p	193	......	R2.66	2.70	1.9	25.6
135	F.P.	4/9	192	160	W'hmller(Barry)Intl.5p	192	+14	R4.0	2.9	2.8	13.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
‖	Nil	24/7	11pm	5pm	Anglo Utd. Cnv. Red. Prf.	6pm	+1
100	F.P.	—	113p	109p	Asda Prop. 5½% Cnv. Cum. Red Prf. 2012	113p	......
‖	Nil	24/7	42pm	27pm	Dencora 6¼% Cum. Cnv. Red. Pf.	41pm	−1
§	Nil	7/8	12pm	4pm	Elliott (B) 7% Cnv.Cum.Red Prf.	12pm	......
§100	£10	10/9	7½	7	Essex Water 9¾% Red. Deb. '97-99	7	......
§	£50	11/9	50¾	47¼	Govett Strategic Inv Tst 9¾% Deb 2017	47¼	−⅛
§100	£10	10/9	7½	7	Mid Kent Water 9¾% Red. Deb. '97-99	7	......
—	F.P.	—	100⅛	99½	Nationwide 8½ pc Bds 20/6/88	100	......
§	F.P.	29/7	145p	120p	Noble & Lund 8pc CnvCumRedPrf(£1)	143p	−2
—	£25	11/11	25½	23	North Housing Assoc. 8¼% Gtd.ln.2037	24¼	......
—	F.P.	7/7	298p	240p	Do. Zero Cpn. Ln. 2027	295p	......
—	F.P.	—	210p	160p	P&O Subs. Warrts. 1988-92 (Ant. Wrts)	185p	−2
§95.221	£25	2/10	26	21⅛	Peachey Property 9½% 1st Mt.Deb.2015	21⅛	+⅛
—	£40	12/8	42	38⅛	Peel 9⅞pc 1st Mt. Deb. 2011	38⅛	......
‡	F.P.	15/7	106½p	101p	Prowting 8.3% Cum. Red. Prf 2002 (£1)	103p	+1
‡	F.P.	—	179p	172p	Do. 13¾% Cum. Prf. (£1)	179p	+1
¶¶	F.P.	—	120p	106p	Spong Cnv. Cum. Red. Prf. (20p)	120p	+1
—	F.P.	—	122p	110p	Unigroup 7½% Cum. Cnv. Red Prf.	122p	......

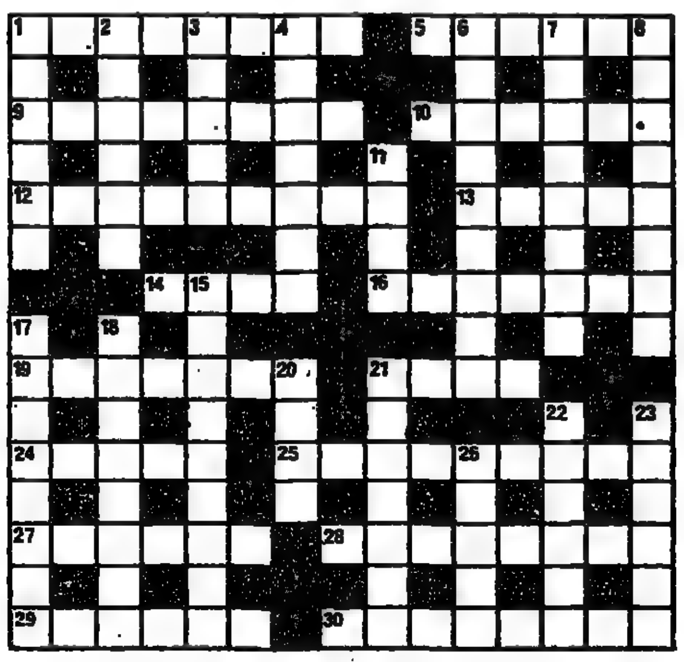
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
375	Nil	—	111pm	78pm	‡Anglia Secure Homes	108pm	−3
425	Nil	26/8	42pm	17pm	Argyll Group	41pm	−1
13	Nil	4/8	19½pm	10pm	Blacks Leisure 2½p	19½pm	+1¼
265	Nil	—	59pm	41pm	BPCC	59pm	......
195	Nil	—	46pm	35pm	Century 10p	41pm	+3
35	Nil	14/8	23pm	19pm	Dares Estates 5p	23pm	......
170	Nil	7/8	73pm	70pm	Kennedy Smale	70pm	......
—	Nil	7/8	228pm	130pm	Merlin Intl. Props. Parcels	210pm	−10
¶¶	Nil	14/8	15pm	4pm	Munton Bros. Pfd. 20p	9½pm	+½
75	Nil	—	14pm	10pm	Paramba 10p	14pm	......
95	Nil	—	8pm	3pm	Plantation Trust	8pm	+5
310	Nil	21/8	62pm	27pm	Ratners 10p	27pm	−29
400	Nil	10/8	188pm	165pm	Tranwood Units†	180pm	+4
300	Nil	—	115pm	110pm	Western Motor	113pm	......
—	Nil	7/8	43pm	38pm	Westwood Dawes 12½p	38pm	......
190	Nil	26/8	43pm	41pm	Whittington	43pm	+1

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▇ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. † Placing and offer for sale price. * Third Market † 10 Tranwood Rights & 3 Wrrts. to sub for 1 new Tranwood @ 40.

FT CROSSWORD PUZZLE No. 6,370

TANTALUS



ACROSS

1 Partisan converted candidate (8)
5 Things to be done need time and trouble (6)
9 Church painter sees political reformer (8)
10 Erects building that's hidden (6)
12 Go quickly with fit Veronica (9)
13 A win once more (5)
14 This newspaper carries the Spanish material (4)
16 Minus two rings perhaps—that's sinister (7)
19 A souvenir wasting away (7)
21 Excuse to some extent couple arriving late (4)
24 Leaders of International body selected eminent Norwegian dramatist (5)
25 County shelf where scrap metal is observed (9)
27 Female adviser I agree is unusual (6)
28 Organise race and I show sparkle (8)
29 Horse loses right to walk *unsteadily* (6)
30 Underlines tension with bridge players (8)

DOWN

1 Solicitor without an alternative (6)
2 Mercury say, number on mountain lifted (6)
3 Thought highly of sailor *going up to journalist* (5)
4 Sodium smell coming into being (7)
6 Need grain be used for this syrup? (9)
7 Nonsense on Scottish island upset story teller (8)
8 In a word, a maze (8)
11 A capital orchestra is as well! (4)
15 Once thoughtful and dear (9)
17 Easily perceived party intentions are baseless (8)
18 Search for a view (8)
20 The old accept it's all right with a frame (4)
21 Await judgment on worker—it's hanging! (7)
22 A fellow is loved by Aphrodite (6)
23 Divides always in Hitler's bodyguard (6)
26 Oil spilt by engineers on French river (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

Fund	(uncertain)	(uncertain)	(uncertain)	(uncertain)
American Growth	109.7	116.0	+2.0	0.71
(Accum Units)	114.9	121.5	+2.0	0.71
British Blue Chip Fund	52.7	55.7	+0.9	2.30
(Accum Units)	52.7	55.7	+0.9	2.30
American Sm Cos Fd	52.0	55.0	+0.4	0.45
(Accum Units)	52.0	55.0	+0.4	0.45
American Income	51.6	54.5	+0.0	3.63
(Accum Units)	56.2	59.4	+0.0	3.63
European Growth	143.1	151.4	+1.0	0.73
(Accum Units)	148.1	156.7	+1.0	0.73
European Income	79.2	83.8	+0.6	3.64
(Accum Units)	83.1	87.9	+0.7	3.64
General	376.4	398.3	+3.8	1.69
(Accum Units)	625.3	661.6	+6.3	1.69
Gilt	88.8	89.2	-0.2	7.90
(Accum Units)	105.7	106.7	-0.3	7.90
Global Fund	49.6	52.4	+0.3	0.70
(Accum Units)	49.6	52.4	+0.3	0.70
High Interest Fund	47.2	49.9	-0.1	8.89
(Accum Units)	47.6	50.3	-0.1	8.89
High Income Fund	53.7	56.8	+0.8	4.75
(Accum Units)	54.2	57.3	+0.8	4.75
Income	123.6	130.7	+1.8	3.59
(Accum Units)	141.6	149.8	+2.1	3.54
International	295.2	312.3	+0.7	1.18
(Accum Units)	369.4	390.8	+0.9	1.18
Japan	208.2	220.3	-2.8	0.80
(Accum Units)	213.7	226.1	-2.9	0.80
Pacific Fd	54.0	57.1	+0.4	0.10
(Accum Units)	54.0	57.1	+0.4	0.10
Recovery	313.7	331.9	+3.5	2.05
(Accum Units)	341.0	360.8	+3.8	2.05
UK Smaller Co's Fd	53.4	56.5	+0.3	1.88
(Accum Units)	53.4	56.5	+0.3	1.88
Exempt May 27	345.5	354.9	-2.7	2.26
(Accum Units)	542.5	556.4	-2.8	2.26

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

Fund	(uncertain)	(uncertain)	(uncertain)	(uncertain)
UK Income Fund	62.1	66.0	+0.9	4.54
Accum Units	63.1	66.0	+0.9	4.54
UK Growth Fund Acc	64.3	68.3	+1.2	1.51
Global Income Fund	49.8	52.9	+0.3	3.78
Accum Units	49.8	52.9	+0.3	3.78
Global Growth Fund	46.1	49.1	+0.4	0.51

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Fund	(uncertain)	(uncertain)	(uncertain)	(uncertain)
Capital	127.4	135.1	+2.8	1.30
(Accum Units)	175.9	186.6	+3.8	1.30
Commodity & Gen.	175.7	186.4	+0.8	1.58
(Accum Units)	250.9	266.2	+1.3	1.58
European Growth	126.9	134.5	+1.7	1.10
(Accum Units)	153.2	162.4	+2.1	1.10
Extra High Inc.	73.9	78.4	+0.3	6.36

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Fund	(uncertain)	(uncertain)	(uncertain)	(uncertain)
Holborn Comm Tst.	79.1	83.7	—	0.37
Holborn Equity Income	72.2	76.3	—	3.37
Holborn Equity Tst.	398.1	422.3	—	2.17
Holborn European Tst.	114.6	121.2	—	0.68
Holborn Gilt Tst.	214.0	223.1	—	8.19
Holborn High Inc Tst.	87.2	92.2	—	4.68
Holborn Intl Grth Tst.	117.1	123.9	—	0.70
Holborn Japanese Tst.	131.0	138.6	—	0.04
Holborn N. Amer. Tst.	90.8	96.0	—	0.5
Holborn Sm Cos Tst.	77.9	82.4	—	1.41
Holborn Spec Sits Tst.	102.2	108.1	—	1.35
Holborn UK Growth Tst.	116.5	123.2	—	1.52

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Fund	(uncertain)	(uncertain)	(uncertain)	(uncertain)
Quadrant Gen. Fd.	676.4	715.8	+18.3	1.37
Quadrant Income	333.8	353.3	+5.2	4.07
Quadrant Intl. Fund	449.0	475.2	+7.4	1.05
Quadrant Spec. Sit.	452.0	478.4	+25.3	1.37

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

Fund	(uncertain)	(uncertain)	(uncertain)	(uncertain)
British Life	243.0	258.4	+3.3	2.22
Reliance Unit Tst (Inc)	168.6	179.2	+2.5	1.80
Reliance Uk Tst (Acc)	226.9	241.2	+3.0	1.80

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Fund	(uncertain)	(uncertain)	(uncertain)	(uncertain)
Internat. Growth Trust	49.2	51.71	—	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2980/4

Fund	(uncertain)	(uncertain)	(uncertain)	(uncertain)
NC America (Inc)	318.4	338.7	—	0.81
NC America (Acc)	351.5	373.9	+4.1	0.80
NC Inc Fd.	126.7	134.7	—	2.79
NC Japan Fd	202.0	214.8	+2.4	—
NC Minor UK Cos Fd.	73.1	77.7	—	1.54
NC Smllr Australasian	88.9	94.6	—	0.46
NC Smllr Canadian Co Fd.	48.6	51.7	—	0.98
NC Smaller Cos	239.7	255.0	+2.7	0.90
NC Smaller European	192.3	204.5	+1.5	0.46
NC Prop.*	157.2	171.6	—	[illegible]

*Unauthorised Unit Trusts

Rowan Unit Trust Mngt. (a)
33, King William St, London EC4R 9AS 01-638 5678

Fund	(uncertain)	(uncertain)	(uncertain)	(uncertain)
Merlin June 30	615.5	623.5	—	1.12

Royal Bank of Canada Fds.
RBC Trust Managers Limited.
1, London Wall, London EC2Y 5JX. 01-600 6222

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh

Sun Alliance Fund Mgmt Ltd
Sun Alliance House, Horsham

Sun Life of Canada Unit Mgrs Ltd
Basingview, Basingstoke, Hants

Sun Life Trust Mngt. Ltd
101, Cannon St, London EC4

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

National Provident Inst.—Contd.

Norwich Union Asset Management Ltd

Norwich Union Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provident Mutual Life Assc.—Cont.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assur.—Contd.

Royal Life Insurance Ltd

Royal Liver Assrce (Life & Pensions)

Save & Prosper Group

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assur.—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Target Life Assurance—Cont.

Teachers' Assurance Company Ltd

Transatlantic Life Assur Co Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

O'Halloran & Co/Countrywide

PBS Fund Management Ltd.

The Parchester Group

Scarborough Financial Services Plc

Sharp (Albert E.) & Co

Torey Law & Co

University Medical General Ltd.

J. D. Ward & Co Ltd

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

Actibonds Investment Fund SA

Adig Investment

Aetna International Assurance (Bermuda) Ltd

Albany Fund Management Limited

Albany International Assurance Ltd

Alexander Fund

Alliance Capital Management Intl. Inc.

Allied Dunbar International Fund Mgrs.

Allied Irish Fund Managers (CI) Ltd

Anglo-Swiss Asset Management Ltd

Asset Global Funds Ltd

BAII Multicurrency (SICAV)

BIA Bond Investments AG

BNP Inv Mgmt (Jersey) Ltd

Julius Baer Bank & Trust Co Ltd

The Bangkok Fund

Barclays Unicorn International

Baring Fund Managers (Guernsey) Ltd

Baring International Group

Brown Shipley Fund Mgmt (CI) Ltd

Butterfield Management Co Ltd

CAL Investments (IoM) Ltd

Capital International

Cater Allen Investment Management (CI)

Charterhouse Fund Mgmt. (C.I.) Ltd

Citibank (CI) Ltd

Cortean International

Credit Suisse

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd

Eldors (Switzerland) Invest. Mgmt. SA

Equitilink International Mngt Ltd

Equity & Law International Fund Mgs Ltd

Equity & Law International Life Assur Co Ltd

Ermitage Management Ltd

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
3May	3Nov	Treas. 12pc 1987	100	29.9	11.90	9.11
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	99	22.12	7.77	8.31
10Nov	10May	Exch 10½pc '88	108	6.10	10.40	9.26
14Dec	14Jne	Treas 9¾pc Cv '88	100	8.5	9.71	9.25
1Jan	1Jul	Transport 3pc '78-88	96	26.5	3.10	6.43
25 Apr	25 Oct	Treas. 9½pc '88	100	18.9	9.48	9.27
22 Aug	22 Feb	Treas 11½pc 1989	103	26.1	11.15	9.34
18 Oct	18 Apr	Treas 9½pc Cnv 1989	100	11.9	9.46	9.20
15Nov	15May	Treas 3pc 1989	93	9.10	3.20	6.69
14Dec	14Jun	Treas 10½pc 1989	102	8.5	10.24	9.27
1Feb	1Aug	Exch.10pc 1989	101	29.12	9.87	9.31
29 Mar	29 Sep	Exch 11pc 1989	103	26.8	10.66	9.32
15 Apr	15 Oct	Treas 5pc 1986-89	94	8.9	5.31	7.78
15 May	15 Nov	Exch 10¼pcCv '89	103	9.10	9.86	8.31
15 Jul	15 Jan	Treas 13pc 1990‡‡	108	8.6	12.01	9.25
12 Aug	12 Feb	Exch 11pc 1990‡‡	103	6.1	10.60	9.31
22 Sep	22 Mar	Exch. 12½pc 1990	107	13.8	11.65	9.35
8 Nov	8 May	Treas. 3pc 1990	90	2.10	3.32	6.83
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	99	11.5	8.35	8.73
25 Apr	25 Oct	Treas. 10pcCv 1990	101	18.9	9.83	9.34
22 May	22 Nov	Exch 2½pc 1990	87	16.10	2.86	6.66
10 July	10 Jan	Treas 11¾pc 1991	107	3.6	10.95	9.27
5Oct	5Apr	Funding 5¾pc '87-91‡‡	92	1.9	6.19	7.98
13 Nov	13 May	Treas. 3pc 1991	87	—	3.44	6.85
12Jan	12July	Treas 10pc Cv '91‡‡	104	5.6	9.60	8.74
25Apr	25Oct	Exch. 11pc 1991	105	18.9	10.39	9.29
22Jly	22Jan	Treas 12¾pc 1992‡‡	112	16.12	11.34	9.28
21Aug	21Feb	Treas 10pc 1992	102	15.1	9.76	9.32
13Oct	13Apr	Treas. 8pc 1992‡‡	95	—	8.15	8.47
7 Nov	7 May	Treas 10½pc Cv 1992‡‡	104	0.10	10.04	9.39
		Five to Fifteen Years				
25 Feb	25 Aug	Exch. 12¼pc '92	111	19.1	11.01	9.41
22Mar	22Sep	Exch 13½pc 1992	116	18.8	11.60	9.41
15Oct	15Apr	Treas 10pc 1993‡‡	103	8.9	9.69	9.26
14Jan	14Jul	Treas 12½pc 1993‡‡	114	8.6	10.94	9.33
15Mar	15Sep	Funding 6pc 1993‡‡	91	11.8	6.55	7.71
23May	23Nov	Treas 13¼pc 1993‡‡	120	17.10	11.41	9.39

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

	Stock	Price	Last xd	Div Gross	C'vr	Yld Gr's
	NYNEX $1	43	26.3	$3.48	—	5.0
Ap Jy Oct	PHH	24	29.6	$1.04	—	2.6
	Pacificorp $3.25	22	15.10	$2.40	—	6.6
	Pacific Telesis $0.10	16	12.85	$1.64	—	6.0
	Pall Corp. 25c	18	28.10	34c	—	1.1
Jan S D	Pennzoil 83c	47	24.2	$2.20	—	2.8
	Pittsburgh	26	28.4	$1.00	—	2.3
Jan Apr	Quaker Oats $5	32	18.6	80c	—	1.5
	RJR Nabisco Inc.	33	5.5	$1.60	—	2.9
Apr Jly D	Rep NY Corpn $5	33	10.6	$1.16	—	2.1
Jan S D	Rockwell Intl. $1	16	14.5	$1.32	—	4.8

Continued on next page

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
ANZ Finance High Interest Cheque Acc Minerva Hse, Montague Cl, London, SE1 01-378 2576				
£250-£2,500	7.00	5.27	7.36	Qr
£2,500+	9.00	6.77	9.33	Qr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	8.20	6.00	8.64	Qr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
AAB—Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-626 2046				
HICA, HICMA	8.75		9.30	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	8.10	6.09	8.59	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	8.00	6.00	8.40	Qr
Benchmark Trust Ltd Premier Account 9 Henrietta Place, W1M 9AG. 01-631 3313				
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2. 01-606 9833				
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Citibank Savings St Martins Hse, Hammersmith Grove W6 01-741 4941				
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
Dartington & Co Ltd 9 Tor Crescent, Plymouth PL1 3AB 0752 673873				
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	8.10	6.09	8.59	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jy	Sara Lee $1	27½xd	24.12	$1.00	—	2.2
Mr Ju Se De	Saul (B. F.) $1	10¼xd	26.6	20c	—	1.2
Fb My Ag No	Southwestern Bell $1	24⅛	7.4	$2.32	—	5.9
—	Staley Continental	17⅝	—	80c	—	2.8
Mr Jn Se De	Sun Co. Inc. $1	40½xd	5.11	$3.00	—	4.5
Ma Ju Se Dec	TRW Inc. $1¼	32¾	10.2	$1.60	—	3.0
Mr Jn Sp Dc	Tenneco $5	30¹¹⁄₁₆	12.5	$3.04	—	6.1
June Dec	Do. 10pcLn.Stk. 91-5	187½xd	24.11	10%	—	5.5
Mr Je Se De	Texaco $6.25	26¼xd	31.7	$3.00	—	7.0
Mr Ja Se De	Time Inc. $1	59⅞	22.8	$1.00	—	1.0
Ja Ap Jy Oc	Tracor $0.33	12¼	16.9	40c	—	2.0
Ja Ap Ju Oc	Transamerica $1	25⅛xd	30.6	$1.76	—	4.3
Fe My Au No	Transworld Corp $5	11⅝	11.11	20c	—	1.1
—	TRINOVA Corp.	42¼	12.04	$1.00	—	1.5
Mr Je Se De	♥USX $1	19⅞	30.10	$1.20	—	3.7
Ag Nv Fb Jn	Union Carbide $1	18⅞	5.5	$1.50	—	4.9
Mr Jn Sp Dc	Utd. Technologies	32¹¹⁄₁₆	19.5	$1.40	—	2.6
Fb My Ag No	US West‡	33	13.4	$3.28	—	6.1
—	Waste Management $1	24⅛	—	—	—	—
—	Whirlpool $1.0	£22¼	—	—	—	—
Mr Je Se De	♥Woolworth $3½	32⅝	19.11	$1.32	—	2.5

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
—	♥Abbot Energy Corp.	21p	—	—	—	—
—	♥Amer. Barrick Res.	10⅝	—	—	—	—
—	Armero	79p	—	—	—	—
Fb My Ag Nv	Bk. Montreal ‡	16	24.11	$2.00	—	5.8
Ja Ap Ju Oc	Bk. Nova Scot.‡	847pxd	30.6	72c	—	3.9
Ap Jy Oc Ja	BCE ‡	19⅞	10.9	$2.40	—	5.6
May Nov	♥Bow Valley‡	923p	15.12	40c	—	2.0
Ja Ap Jy Oc	♥Brascan‡	16⅝	28.10	88c	—	2.4
—	♥Breakwater Res.	374p	—	—	—	—
Fe My Au No	Can Imp. Bk. $2	10¼xd	29.6	$1.08	—	4.8
July Jan	Can. Pacific ‡	11⅞xd	29.6	48c	—	1.9
July Jan	Do. 4pc Deb £100	41½	10.11	4%	—	9.6
Jn Sp Dec Mar	♥Echo Bay Mines	22	—	20c	—	0.4

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan	July	PWS Holdings 10p	350	1.6	†9.25	2.9	3.6	13.1
—		Pearl Group 5p	399	27.4	10.5	—	3.6	—
Nov.	May	Prudential	£10⅞	6.4	29.0	—	3.6	—
Nov.	May	Refuge 5p	555	23.3	15.75	—	3.9	—
Jan.	May	Royal	518	23.3	ts15.5	—	4.1	—
April	Oct.	Sedgwick Group 10p	314	9.3	12.0	1.7	5.2	13.4
May	Nov	Steel Burrill J.10p	285	6.4	9.0	2.0	4.4	15.8
Nov.	July	Stewart Wr. 20p	600	11.5	13.0	2.0	3.0	21.3
Mar	Sept	Sturge Hldgs 20p	561	26.1	†16.0	2.5	1.5	36.6
Jan.	July	Sun Alliance	£10⅝	11.5	23.5	—	3.2	—
June	Nov	Sun Life 5p	£12⅞	6.4	28.5	—	3.2	—
April		♥Taisho M EDR	£49⅝	25.3	gQ10%	—	0.9	—
Fb My Au Nv		Torchmark $1.00	£17½	9.1	Q60c	—	2.1	—
Nov.	May	Trade Indemnity	362	6.4	4.3	—	1.6	—
Mr Ju Se De		Travelers $1.25	£28	27.4	$2.28	—	5.0	—
Dec	June	USLIFE Corp. $1.0	£23¼	5.11	Q$1.20	3.2	3.1	5.2
June	Nov	‡Utd Friendly B 10p	713	1.6	21.0	—	4.0	—
May	Nov	Willis Faber 12½p	413	27.4	10.75	1.9	3.6	20.8
Mar	July	Windsor Secs. 10p	70	22.12	†0.7	1.5	1.4	64.6

LEISURE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
October		‡A & M Group 10p	23½	11.8	0.4	2.0	2.3	29.4
Jan	July	A-R TV Pref. £1	80	22.12	5.95	48.1	12.2	—
—		Airtours 10p	201	—	R5.4	2.5	3.2	17.5
May	Aug.	Anglia TV	458xd	29.6	†g11.25	3.3	3.4	12.7
—		‡Aspinall Hldgs. 10p	159	23.2	6.0	1.2	5.2	21.8
		‡Avesco 1p	121xr	—	0.5	♦	0.6	♦
—		‡BCE Hldgs 5p	53½	—	Rd1.0	3.0	2.6	17.8
July	Nov	Barr & W.A.T. 'A'	249	29.9	8.0	1.4	4.6	19.5
		Bond Media	44		—	—	—	—
—		Boosey & Hawkes	210	4'84	—	—	—	—
		‡Border T.V.	68	23.2	†g2.5	3.2	5.7	15.1
June	Dec	Brent Walker 10p	361	27.4	φ8.9	2.2	3.8	17.4
Mar.	Nov.	Campari Int. 20p	288	6.4	3.0	5.1	1.4	14.7
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES—Continued

[illegible]

THIRD MARKET

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Allied Ins. Brokers	122	—	L3.5	2.5	4.0	14.2
—	Amercoeur Energy 10p	80	—	—	—	—	—
—	Ardmore Pet. 'A'	12	—	—	—	—	—
—	Catalyst Comms. 5p	77	—	—	—	—	32.0
—	Chelsea Artisans 5p	170	—	—	—	—	23.9
—	Corton Beach 10p	143	1.6	0.4	♦	0.4	♦
—	Crown Eyeglass 5p	103	—	—	—	—	—
—	Eldersprings Investment	255	—		—	—	—
—	Eglinton Oil Ir.5p	26	—	—	—	—	—
—	Do. Warrants	19	—	—	—	—	—
—	Publishing Hldgs.5p	77	—	—	—	—	44.6
—	Theme Holdings	71	27.4	1.0	♦	1.9	♦
—	Unit Group	140¢	—	N4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	86	......
Craig & Rose £1	£181½xd	+½
Finlay Pkg. 5p	134	+12
Holt (Jos) 25p	975	......
Iold Stm. £1	123	+2
IRISH		
Fund 11¼% 1988	£100½	......
Nat. 9¾% 84/89	£98½	......
Fin. 13% 97/02	£110¾	......
Arnotts	340	......
CPI Hldgs	57	......
Carroll Inds.	155xd	+7
Dublin Gas	18	......
Hall (R. & H.)	106	+1
Heiton Hldgs.	41	−1
Irish Ropes	170	......
Unidare	380	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	20
BAT	55
BOC Grp	45
BSR	17
BTR	30
Babcock	19
Barclays	52
Beecham	50
Blue Circle	50
Boots	25
Bowaters	50
Brit Aerospace	55
Brit. Telecom	32
Burton Ord	35
Cadburys	22
Charter Cons.	40
Comm Union	30
Courtaulds	45
FNFC	30
Gen Accident	95
GEC	24
Glaxo	200
Grand Met	55
GUS 'A'	175
Guardian	98
GKN	30
Hanson Tst.	15
Hawker Sidd	50
ICI	125
Jaguar	52
Ladbroke	40
Legal & Gen.	32
Lex Service	45
Lloyds Bank	50
Lucas Inds.	62
Marks & Spencer	22
Midland Bk	55
Morgan Grenfell	35
NEI	12
Nat West Bk	65
P & O Dfd	65
Plessey	22
Polly Peck	28
Racal Elect	24
RHM	30
Rank Org Ord	70
Reed Intnl	45
STC	30
Sears	15
TI	34
TSB	10
Tesco	55
Thorn EMI	70
Trust Houses	24
Turner Newall	28
Unilever	300
Vickers	20
Wellcome	42
Property	
Brit Land	25
Land Securities	45
MEPC	42
Peachey	45
Oils	
Brit Petroleum	32
Britoil	32
Burmah Oil	45
Charterhall	6
Premier	11
Shell	110
Tricentrol	11
Ultramar	24
Mines	
Cons Gold	95
Lonrho	26
Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

APPOINTMENTS

Ivory & Sime announces board appointments

IVORY & SIME has made the following board appointments in its operating subsidiaries. Ivory & Sime Investment Companies has appointed Mr David Warnock a director. At Ivory & Sime International Mr James Andreson and Mr Michael Woodward have become directors. Ivory & Sime Management Services has made Mr Ian Paterson Brown a director. At Ivory & Sime Pensions Mr Peter Hewitt and Mr Alan McFarlane have been elected directors.

★

Mr Michael Jukes has been appointed managing director of STRAND LIGHTING (EUROPE). He was formerly managing director of Amthenol for the past two years.

★

GIROCENTRALE VIENNA London branch, has appointed Mr Colin Crispin as treasurer and member of the general management team. He was formerly head of international treasury at Interfirst Bank, Dallas.

★

Mr Fred Thompson, managing director of STEVENS AND BULLIVANT, has been promoted to deputy chairman. He is succeeded as managing director by Mr Mark Fellows, production director.

★

Mr Christopher Ripper has been appointed to the board of THISTLE HOTELS as personnel director. He was formerly personnel manager.

★

CULLEN'S HOLDINGS has appointed Mr Mike Trusler managing director of Cullen's Stores. He was deputy chairman of Sperrings Franchising.

★

The WILLIAMS LEA GROUP has appointed Mr David Ross as group finance director. He was finance director of the International division, Quotron Systems Inc, a Citicorp subsidiary.

★

FENCHURCH LIFE & PENSIONS CONSULTANTS has appointed Mr Gordon Bannerman its chief actuary.

★

Mr Peter Harland, managing director of Croda Paints, has been appointed president of the PAINTMAKERS ASSOCIATION OF GREAT BRITAIN.

★

PARKDALE HOLDINGS has made the following changes. Mr N. A. McMahon Turner, the deputy chairman and managing director has become executive chairman, and Mr R. R. A. Breare, a non-executive director since January 1984, has been appointed chief executive. Mr F. J. C. Lilley has resigned as chairman, but remains as a non-executive director.

★

BARNET GOLD has made the following appointments: Mr Douglas Bell becomes divisional director and Mr Roland Vella divisional director—reinsurance.

★

BKB ELECTRIC MOTORS has appointed Mr Andrew L. Smith as its managing director. He is also managing director of Bulpitt Engineering, which like BKB is a division of Tenby Industries.

★

Mr Tony Hennessey-Brown has been appointed senior executive in NATIONAL WESTMINSTER BANK'S group financial engineering unit. He heads a multi-disciplined team of commercial bankers and other specialists in this recently formed unit based in London.

★

Mr A. R. Swinburne-Johnson has been appointed a general manager of LONDON AND MANCHESTER GROUP. Mr Swinburne-Johnson also joins the boards of the group's principal insurance subsidiaries.

★

Mr Trevor Taylor has been appointed deputy managing director TOYOTA (GB) with specific responsibilities for sales, marketing, franchising and distribution.

★

Mr John Pearse has been appointed to the board of drinks vending specialists DRINKMASTER in the position of sales director.

★

Mr Harry Dodd has been appointed director — Finance of STEELSTOCK, part of the largest independent stockholding group in Britain. Mr Gary Mather has been appointed marketing director.

★

NIXDORF COMPUTER has announced the appointement of Mr Sean Grainger as UK leasing manager, responsible for leasing facilities to buyers of Nixdorf systems.

★

SECURICOR has appointed Mr David Pinder-White as managing director of its recently avcquired specialist private mobil communications company, ASHLEY COMMUNICATIONS UK. Mr John Ashley, founder of the original company, has been appointed vice chairman, and Prof J. P. McGeehan, professor of communications engineering at the University of Bristol, has been appointed consultant to the company.

★

M. MYERS & SON has appointed Mr John Dale as sales and marketing director. He was previously sales and marketing manager for the office products division of Avery, the California-based corporation which acquired Myers in 1985.

★

Mr Ken Southwell has been appointed sales manager at WARNER & SWASEY, the Telford-based CNC turning machine company.

★

Mr Roger Holt has taken over as operations director at SHIPLEY EUROPE, following Mr Alan Billinghurst's appointment to the newly-created position of European sales director.

★

Mr R. A. Green and Mr D. L. Woodard have been appointed directors and Mr P. A. Wood an assistant director of HOWSON F. DEVITT & SONS, part of the Devitt Group.

★

DOM HOLDINGS have announced new board appointments. Mr Henry McCarthy has been appointed chairman and Mr Michael Hacker chief executive. Mr John Philips remains as managing director. Mr Richard Felsted, Mr Roger Preston and Mr Jeff Woodcock have been promoted on to the Dom Holdings board from senior positions from within the company.

★

COPE-CHAT, the specialist business forms printer, has appointed Mr Neil Farmer as production director. Mr Farmer has many years experience in the printing industry including positions with Reed Paper and Board, Spicer-Cowan and Bowater Carton.

★

Mr M. E. Thomas was appointed managing director of SULZER (UK) PUMPS and also joined the board of SULZER (UK) HOLDINGS from July 1, following the retirement of Mr W. R. Walton, who will remain on the board as non-executive chairman. Mr Walton will also remain on the board of Sulzer (UK) Holdings in a non-executive capacity.

★

RAINE INDUSTRIES PLC has appointed two new divisional managing directors, following its acquisition of the Ford and Weston group. Mr Michael Feazey (56), a chartered engineer, will control the new construction and property refurbishment division, and Mr John Soppet (42), a chartered accountant, the new allied industries division. Mr Graham Thorpe, Raine's main board director, remains divisional managing director for house building.

DIARY DATES

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

Goldberg (A.), Edinburgh Sheraton, 1 Festival Square, Edinburgh, 11.00
Imry International, Hyde Park Hotel, 66 Knightsbridge, SW, 12.00
London and Overseas Freighters, Charing Cross Hotel, Strand, WC, 11.00
PCT Group, Gleddoch House Hotel, Langbank, Renfrewshire, 12.00
Smallbone, Whitbread Brewery, Chiswell Street, EC, 11.00

BOARD MEETINGS—

Finals:
Beaverco
Brown & Tawse
Carclo Engineering
Joseph (Leopold)
Logitek
Markheath Securities
Nobo
Real Time Control
Robertson Research
Scottish & Newcastle Breweries
Textured Jersey
Vibroplant
Vinten

Interims:
Glass Cover
Securiguard
Speyhawk

DIVIDEND & INTEREST PAYMENTS—

Avon Rubber 3p
Blue Circle Inds 6¼pcLn (1978 or after) 3⅛pc
Bradford and Bingley BS Fltg Rate Nts 1998 £249.32
British Shoe 7pcLn 1985-90 3½pc
Centex 6.25 cts
Clarkson (Horace) 2.75p
Colman (E. Alec) Invs 8pcLn 1991-96 4pc
Costain 10.5p
Courtaulds 5pcPf 1.75p. 5¼pcLn 1994-96 2⅝pc
DRG 5.7p
Fletcher Challenge 15pcPf NZ0.175
Freemans 7pcDb 1989-94 3½pc
Gee/Rosen 1.1p
Guinness Peat 1.1p
Hawker Siddeley 12p
Just Rubber 1.28p
Kennedy Brookes 1.2p
Linread 7¼pcDb 1989-93 3⅝pc
Local London 3p
MacLellan (P and W) 1.2p
North British Can Invst 5.3p
Perry Group 4.35p
Ratners (Jewellers) 3p
Richards (Leicester) 1.5p
Smith (W. H.) 8pcDb 1987-92 4pc. 7¼pcLn 1988-93 3⅝pc. 5¼pcLn 2.5625pc
Standard Chartered Und Prim Cap Fltg Rate Nts $322.29. Und Prim Cap FRN (Ser 4) $326.72
Sun Alliance and London Assurance 16p
Tootal 2.65p
Walker (J. O.) 3.5p
Warner Estate 5.5p
Watts, Blake, Bearne 3.66p
Western Selection 1.3p
Whitbread 7¼pcLn 1996-2000 3⅝pc. 10½pcLn 200-05 5¼pc
Yule Catto 3.5p

TOMORROW

COMPANY MEETINGS—

Henderson Group, Ironmongers Hall, Shaftesbury Place, Barbican, EC, 12.00
Newcastle and Gateshead Water, Allendale Road, Newcastle-upon-Tyne, 12.30
Sheraton Securities, Inn-on-the-Park, Park Lane, SW, 12.00
Sims Catering Butchers, Royal Aldershot Officers Club, Aldershot, Hampshire, 2.30
Willaire Systems, St Ermins Hotel, Caxton Street, SW, 11.00

BOARD MEETINGS—

Finals:
AAH
Burnett & Hallamshire
Cheshire Wholefoods
Toothill (R. W.)
Whinney Mackay-Lewis
Wintrust

Interims:
Alexanders Holdings
Fletcher King
Granada
Habit Precision Engineering

DIVIDEND & INTEREST PAYMENTS—

Cannon Street Invs 7.7pcPf 1994-96 3.85p
Frost Group 2.75p
Halifax BS Fltg Rate Nts 1992 £123.88
Highland Electronics 1p
House of Fraser 8pcDb 1986-91 4pc
Hunting Associated Inds 8¼pcLn 2003-08 4⅛pc
M and G Group 3p
M and G Fund of Invst Trust 2.8p
Memory Computer 7.8pcPf 1994-98 3.9p
Northern American Trust 1.4p
Southern Rhodesia 4½pc 1987-92 (Unassented) 2¼pc. 4½pc 1987-97 (Assented) 2¼pc
Wingate Property Invs 2.64p

WEDNESDAY JULY 8

COMPANY MEETINGS—

Allied-Lyons, 1 London Wall, EC, 11.30
Boradio, Tubs Hill House, London Road, Sevenoaks, Kent, 11.30
Brown (N.), Portland Hotel, Manchester, 2.30
Cakebread, Robey and Co, 318-326, Southbury Road, Enfield, 10.00
Centreway Inds, Midland Hotel, Birmingham, 3.00
Centreway Trust, Midland Hotel, Birmingham, 3.05
Continuous Stationery, Gt Eastern Hotel, Liverpool Street, EC, 11.00
Deritend Stamping, St Richards House, Victoria Square, Droitwich, Worcs, 12.30
M and G Second Dual Trust, Three Quays, Tower Hill, EC, 11.00
Mutry, 218-228 Shaftesbury Avenue, WC, 10.00

BOARD MEETINGS—

Finals:
Asprey
Birmingham Mint
Bristol Evening Post
British Building & Engineering Appliances
First Security
Northumber

Interims:
M&G Dual Trust
Microsystems
Southern Business

DIVIDEND & INTEREST PAYMENTS—

Britannia BS Fltg Rate Nts 1993 £250.87
German Smaller Cos Invst Trust 1p
Globe Investment Trust 2.73p
Hassalin Int Fltg Rate Nts 1987 $323.66
Inter-American Dev Bank 12½pcLn 2003 6¼pc
Land Securities 7.75p
MMT Computing 2.25p
National Bank of Canada Fltg Rate Nts 1091 $160.28
Nationwide BS Fltg Rate Nts 1985 £124.68
Sears 3p
Smaller Cos Int Trust 1.5p

THURSDAY JULY 9

COMPANY MEETINGS—

Atkins Brothers (Hosiery), Old Cottages, Lower Bond Street, Hinckley, 12.00
Buckleys Brewery, Thomas Arms Hotel, Llanelli, Dyfed, 11.00
Grampian TV, Television Studios, Queens Cross, Aberdeen, 12.00
Harrisons and Crosfield, Baltic Exchange, 14-20 St Mary Axe, EC, 11.15
Hunter Saphir, Haberdashers Hall, Staining Lane, EC, 10.30
Jacques Vert, Barber Surgeons Hall, Monkswell Square, EC, 12.00
Millward Brown, 18 St Mary at Hill, EC, 11.30
Monks and Crane, Strathallan Thistle Hotel, 225 Hagley Road, Edgbaston, Birmingham, 11.30
Ocean Wilsons, Great Eastern Hotel, Liverpool Street, EC, 12.00
Parkland Textile, Parkway Hotel, Leeds, 12.30
Singall (W.J.), Gonville Hotel, Cambridge, 12.20
UEI, 18 Old Broad Street, EC, 12.00
United Trust and Credit, Dorchester Hotel, W, 11.30
Westbury, Golden Valley Hotel, Gloucester Road, Cheltenham, 2.30
Yorklyde, Moorbrook Mills, New Mill, Huddersfield, 11.30

BOARD MEETINGS—

Finals:
Batleys
Cambridge Instrument
Daelan
Fitch Lovell
Russell (Alexander)
Sandell Perkins
Symonds Engineering
Thorn-EMI

Interims:
Associated Newspapers
Automated Security
Barr (A. G.)
Birmid Qualcast
Daily Mail & General Trust
Evode
Kode International
Wigney

DIVIDEND & INTEREST PAYMENTS—

British and Commonwealth 3.55p
Buckleys Brewery 2.3p
Capital Gearing Trust 0.25p
EIS 5.5p
Hongkong and Shanghai Bank 3rd Series $84.52
Macdonald Martin Distillers A 15p, B 7.5p
Moss Bros 4.5p
NatWest Bank Fltg Rate Notes 1991 $160.26
RHP Group 2.2p
Systems Reliability 3.3p
UEI 3.8p

FRIDAY JULY 10

COMPANY MEETINGS—

Chancery Securities, 14 Fitzhardinge Street, W, 12.00
Glanfield Lawrence, Expedier House, Portsmouth Road, Hindhead, Surrey, 10.00
Hill Samuel, 90-92 Wood Street, EC, 10.30
Office and Electronic Machines, 140 Borough High Street, SE, 12.00
Osborne and Little, Waldorf Hotel, Aldwych, WC, 11.00

BOARD MEETINGS—

Interims:
Hambro Currency Distributor Fund
Westward Dawes

DIVIDEND & INTEREST PAYMENTS—

Aberdeen Construction 6.4p
Browning-Ferris Inds 10 cts
Carr's Milling Inds 1.75p
Govett Atlantic Invest Trust 1.1p
Grampian TV A 1.87p
[illegible]
Osborne and Little 3.5p
Parkland Textile 3.4p. A N-Vtg 3.4p
Reabrook 3.35p
[illegible]
Treasury 11¾pc 1991 5⅞pc

SATURDAY JULY 11

DIVIDEND & INTEREST PAYMENTS—

[illegible]

Parliament

TODAY

Commons: Debate on the future of the Today newspaper. Second Reading, Local Government Bill.

Lords: Channel Tunnel Bill, Committee. Motions on Northern Ireland orders.

TOMORROW

Commons: Motions on the Northern Ireland Act 1974 (Interim Period of Extension) Order, and Appropriation (No 2) (Northern Ireland) Order, and the Jury Trial (Amendment) Northern Ireland) Order.

Lords: Debate on the Report of the Science and Technology Committee on Innovation in Surface Transport.

WEDNESDAY

Commons: Finance (No 2) Bill, Second Reading. Motion on the Army, RAF and Naval Discipline Acts (Continuation) Order. Motion on the Channel Tunnel Bill.

Lords: Debate on the problems of generating energy and the need to secure cheap and abundant supplies of power for industry.

THURSDAY

Commons: Second Reading of the British Shipbuilders (Borrowing Powers) Bill, and Second Reading of the Dartford-Thurrock Crossing Bill.

Lords: Hampshire (Lyndhurst By-pass) Bill, - Third Reading. Debate on the Report of the EEC on the Fourth Environmental Action Programme. Motion for approval on the Northern Ireland Act 1974 (Interim Period of Extension) Order.

FRIDAY

Commons: Debate on the importance of quality in manufacturing to international competitiveness.

BUSINESSMAN'S DIARY

Trade fairs and exhibitions: UK

July 6-9
Royal Agricultural Show (0203 555100) Kenilworth

July 10-19
World Wine Fair (01-739 0677) Bristol

July 14-16
Electronic Design Automation Show (01-242 3621) Wembley Conference Centre

July 17-18
Cash and Carry Fashion Fair (01-727 1929) Kensington Town Hall

July 19-23
Gift Trade Fair (0282 867153) Harrogate Exhibition Centre

July 23-26
Acorn Computer User Show (01-836 2441) Barbican Centre

July 28-August 2
British Music Fair (01-385 1200) Olympia

August 2-5
BFM Furniture Show (01-724 0851) G-Mex Centre, Manchester

August 5-8
Connoisseur and Collectors' Fair of Antiques and Memorabilia (021-780 4171) NEC, Birmingham

August 23-25
International Craft and Hobby Fair (04252 72711) Wembley Conference Centre

August 30-September 1
Scottish Industry and Commerce Trade Fair (0202 767073) Scottish Exhn Centre, Glasgow

September 3-4
IMB System User Show and Conference (01-608 1161) Olympia

September 4-6
Money Show (0696 58431) Aberdeen

September 6-10
Autumn Gifts Fair (01-385 9201) Olympia

September 8-11
Offshore Europe Exhibition and Conference (01-549 5831) Aberdeen

Overseas

July 18-20
International Integration of Western and Chinese Medical Technology and Pharmacology Exhibition (01-486 1951) Shanghai

July 22-25
British Products and Services Fair (0206 240668) Amman

July 24-27
Electronic Products Exhibition —INTERNEPCON (01-940 8777) Kuala Lumpur

August 21-27
International Jewellery and Watches Exhibition—JEWELFAIR (01-464 4129) Singapore

August 22-26
International Autumn Fair (Consumer Goods) (01-734 0543) Frankfurt

September 3-6
Specialised Fair for Clocks, Watches and Jewellery — JUWELIA (01-977 4551) Vienna

September 6-9
International Exhibition of Sports Goods and Leisure Equipment (01-288 5566) Paris

September 6-12
International Autumn Fair (01-240 7013) Leipzig

Business and Management Conferences

July 6
London Chamber of Commerce: Turkey in pre-election year (01-248 4444) 69, Cannon Street, EC4

July 7-8
Financial Times Conferences: Telecommunications and the European Business Market: the perspectives for change (01-621 1355) Hotel Inter-Continental, W1

July 7-9
City Financial: Insurance information exchange — UK-general markets (01-242 5275) Connaught Rooms, WC2

July 7-12
International Energy Forum (040 35 69 24 40) Hamburg

July 8
Association for the Prevention of Theft in Shops conference (01-839 6614) Grosvenor House, W1

July 8-9
Institute for International Research: Issuing, Trading and Investing in Equity Warrants and Convertibles (01-434 0301) Cafe Royal, W1

July 13-14
Spectra: How can retail management use data collected from sales points — to make their businesses grow? (0734 794161) Portman Hotel, W1

July 15-17
National Association of Futures Trading Advisers: Managed money — a global perspective (Illinois (312) 644-6610) Ritz Carlton Hotel, Chicago

July 16-17
Frost and Sullivan: Strategies for dramatically reducing your inventory costs (01-730 3438) Sullivan House, SW1

July 29-30
Microwave Association: Educating the educators (01-229 8225) Royal Holloway and Bedford College, Egham

August 10-12
Frost and Sullivan: Managing the data centre as a business (01-730 3438) London

Sept 7-8
IBC: Broadcast radio into the 90's (01-236 4080) London Press Centre, EC4

Sept 10
Tolley Publishing Co.: Your company pension scheme — time for action (01-680 5682) London Press Centre, EC4

Sept 29-30
Business Research International: How to buy and sell companies (01-637 4383) Hotel Inter-Continental, W1

Sept 29-Oct 2
RMDP: EPoS with EFTPoS congress and exhibition on computers in retailing and distribution (0273 203581) Barbican Centre, EC2

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
ASDA-MFI	July 21	Final 1.9	Midland Bk	July 31	Interim 11.5
*Associated Newspapers	July 9	Interim due	*NatWest	July 28	Interim 7.0
Barclays	Aug 7	Interim 9.5	*Rank Organisation	July 16	Interim 6.25
*Birmid Qualcast	July 9	Interim 1.25	Reuters	July 28	Interim 1.75
Britoil	July 25	Interim 2.0	STC	Aug 4	Interim 1.5
Dee Corp.	July 29	Final 4.4	*Scot and Newcastl Breweries	July 6	Final 4.82
*Dixons	July 15	Final 2.42	Smith and Nephew	Aug 6	Interim 0.85
*Fitch Lovell	July 9	Final 7.0	TI	Aug 7	Interim 0.0
GKN	Aug 8	Interim 5.0	*Thorn EMI	July 9	Final 12.5
Glynwed Int'l	Aug 5	Interim 3.6			
GUS	July 23	Final 14.0			
*Lex Service	July 30	Interim 4.1			
*Lloyds Bank	July 24	Interim 6.25			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Company Notices

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WORLD STOCK MARKETS

AUSTRIA

1987 High	1987 Low	July 3	Price Sch%
2410	1890	Creditanstalt	1915.00
3210	2460	Goesser	2680.00
13200	10800	Interunfall	11800
14,000	7050	Jungbunzlauer	7650
2125	1740	Laenderbank	1820.00
712	600	Perlmooser	693.00
167	108	Steyr-Daimler	116.00
1113	690	Veitscher Mag	770.00

BELGIUM/LUXEMBOURG

1987 High	1987 Low	July 3	Price Frs.
3300	2900	B.B.L.	3280
16000	15300	Banque Gen. Du L.	15300
15200	14300	Bank Int. A	14300
12500	9000	Bekaert B	12000
6010	3900	Ciment CBR	6010
182	131	Cockerill	170
3470	2700	Delhaize	3470
5500	4685	EBES	5190
2700	1410	Fabrique Nat	1410
1250	926	GB Inno BM	1170
4525	3430	GBL (Brux) L	3920
6850	6080	Generale Bank	6550
7900	6000	Gevaert	7900
8020	6680	Hoboken	7290
4510	3765	Intercom	4030
4800	4040	Kredietbank	4800
12600	10,650	Pan Holdings	12550
12425	9210	Petrofina	12425
8000	5000	Royale Belge	6250
4070	3115	Soc Gen Belge	4070.00
15800	10375	Sofina	15800
13700	8270	Solvay	13700
450	185	Stanwick Intl.	450
7360	6280	Tractebel	7240
11300	8900	UCB	11300
5940	5160	Wagons Lits	5600

DENMARK

1987 High	1987 Low	July 3	Price Kr %
970	720	Baltica Skand	950.00
299	251	Cop Handelsbank	273.00
410	315	D. Sukkerfab	316.00
375	309	Den Danske Bank	347
228	160	East Asiatic	192.00
980	825	Forenede Brygg	840
357	247	GNT Holding	247.00
845	695	I.S.S.B. Systems	750.00
575	455	Jyske Bank	525
294	238	Novo Inds.*	265.00
295	243	Privatbanken	270.00
954	675	Sophus Berendsen	890.00
242	149	Superfos	295.00

FINLAND

1987 High	1987 Low	July 3	Price Mks
248	148.5	Amer	245
52.3	43.75	KOP	51
248.5	184	Kone	225
118	85.5	Finnish Sugar	94
196	132.5	Nokia	196
92.7	69	Pohjola 'B'	86.75
28.25	19	Rauma-Repola	27.2
252	137.5	Stockmann 'B'	252
36.75	28.8	UBF 'C'	33.25
169.5	150	Utd. Paper	169.5
231.5	155.9	Wartsila (S11)	231.5

FRANCE

1987 High	1987 Low	July 3	Price Frs.
1961	1515	Emprunt 4½% '73	1840
9091	6600	Emprunt 7% 1973	8850
573	446	Accor	490.00
632.5	502.5	Agence Havas	519
768	660	Air Liquide	704
868	666	BIC	748
619	525	BNP (Cert. Inv.)	563
3000	2380	Bongrain	2850
5220	990	Bouygues	1209
5200	4150	BSN Gervais	4869
3005	2190	CIT-Alcatel	2545
3895	3080	Carrefour	3390
746	572	Club Mediterranean	607.00
1185	649	Cie Bancaire	683
407	351	Cofimeg	365.00
328	315	CGE	325.00
3150	2360	Damart	2700
545	379	Darty	448
2560	1912	Dumez S.A.	2225
1543	1136	Eaux (Cie Gen)	1348
398	314	Elf-Aquitaine	372.50
3772	3219	Essilor	3630
1380	1069	Gen. Occidentale	1220
141.5	84.6	Imetal	141.50
1760	1326	Lafarge Coppee	1622
3792	3154	L'Oreal	3792
5980	4358	Legrand	5450
196.5	73.3	Maisons Phenix	80.00
2865	2,150	Matra S.A.	2400
3840	2464	Michelin B.	3290
1734	1295	Midi (Cie)	1309
2750	2200	Moet-Hennessy	2750
119	70	Moulinex	76
229	159.1	Nord Est	176.00
549	448	Paribas	483.50
1186	959	Pernod Ricard	1030
839	716	Perrier	803
558	400	Petroles Fra	465.50
1679	1151	Peugeot S.A.	1590
870	516	Printemps Au	700
1758	995	Radiotech	1470
3600	2475	Redoute	3075
1925	1450	Roussel-Uclaf	1470
457	390	St. Gobain	452.00
500	461	Sefimeg	500
1560	1161	Skis Rossignol	1197
3640	2850	Telemech Elect	3030
1745	1306	Thompson (CSF)	1375
638	502	Valeo	605.00

SWEDEN

1987 High	1987 Low	July 3	Price Kronor
209	142	AGA (free)	203
343	261	Alfa-Laval	315
360	286	ASEA (Free)	358
300	200	Astra (Free)	281
184	140	Atlas Copco	175
240	136	Beijer A Fria	229
240	143	Cardo (Free)	240
380	235	Cellulosa	347
351	274	Electrolux B	292
298	189	Ericsson	250
173	124	Esselte	162
395	210	Mo Och Domsjo	390
240	187	Pharmacia	202
770	600	Saab-Scania (free)	630
190	135	Sandvik	171
170	110	Skandia Ins.	156
133	104	Skan Enskilda	131
397	310	SKF	343
401	269	St. Kopparbergs	397
465	380	Svka Handelsbn	450
105.6	83	Swedish Match	104
347	261	Volvo B (Free)	316

GERMANY

1987 High	1987 Low	July 3	Price Dm.
350	280	AEG	314
2220	1553	Allianz Vers	1865
315.5	239	BASF	305
349.7	274	Bayer	337.5
563	365	Bayer-Hypo	441
523	375	Bayer-Verein	429
543	390	BHF-Bank	440
697	455	BMW	693
344	270	Brown Boveri	314
312	244.5	Commerzbank	276
350	269	Cont'l Gummi	343
1220	920	Daimler-Benz	1114
533.5	420	Degussa	502
240	200	D'sche Babcock	234
790	571	Deutsche Bank	655
381	286	Dresdner Bank	336
319	268	Feldmuehle Nobel	318
559.8	458	Henkel	559.8
1110	612	Hochtief	635
305.5	240	Hoechst	305.5
125.8	88	Hoesch Werke	119.5
555	367	Holzmann (P)	415
293	201	Horten	229
600	507	Hussel	584
479	403	Karstadt	468.5
529	447	Kaufhof	472
182	142	KHD	177.9
51.8	35	Kloeckner	41
736	589	Linde	736
200	143	Lufthansa	200
197.6	148	MAN	181.5
185	142	Mannesmann	167
1025	740	Mercedes Hld	969.5
366	250	Metallgesell	341
2700	1550	Muench Rueck	1950
830	687	Nixdorf	828
1024	815	Porsche	905
200	145	Preussag	158
240	186	Rhein West Elect	213.5
346	238	Rosenthal	255
691	524	Schering	587
747.5	620	Siemens	695.5
127	109	Thyssen	125.3
371.5	311	Varta	360
319.5	252	Veba	319.5
174.5	139.5	V.E.W.	162
486	375	Verein-West	407
430	312	Volkswagen	414

ITALY

1987 High	1987 Low	July 3	Price Lire
27000	23390	Banca Com'le	23390
715	640	Bastogi-IRBS	640
7155	5765	ICIR	5970
3650	1930	Credito Italiano	1930
17850	12110	Fiat	12799
141200	129000	Generali Assicur	131900
101400	72000	Italcementi	101000
1340	960	La Rinascente	1245
2968	2280	Montedison	2300
14700	11900	Olivetti	12550
7840	6,380	Pirelli Co	6470
5750	4990	Pirelli Spa	5010
4360	3499	Saipem	3501
4895	3545	Snia BPD	3545
35500	27720	Toro Assic	31100

NETHERLANDS

1987 High	1987 Low	July 3	Price Fls.
65.5	55.5	ACF Holding	61.50
99.5	78	AEGON	99.50
107.3	91.2	Ahold	104.80
159.7	127.3	AKZO	157.20
530	444	ABN	480.00
75.4	58.2	AMEV	65.70
90.5	70	AMRO	77.30
57	48.2	Buehrmann-Tet	53.50
251.7	195.5	Dordtsche Petroleum	251.70
55.1	46	Elsevier Ndu	54.00
58.5	44	Fokker	53.90
48	39	Gist Brocades	48.00
181	145	Heineken	179.60
45.8	29.7	Hoogovens	45.80
62.1	48.4	Hunter Douglas	56.00
24	16.6	IHC Caland	21.50
70.7	59	Int Mueller	65.50
52.5	35.1	KLM	52.30
162.5	133.5	KNP	145.70
81.2	66	Nat Ned Cert	74.20
197	159	Ned Mid Bank	174.50
180.5	128.5	Ned Lloyd	155.00
476	380	Oce Grinten	476.00
41.6	34	Ommeren (Van)	37.40
78.2	60	Pakhoed	78.00
53.1	43	Philips	52.40
110.2	94	Robeco	106.90
146.8	137.6	Rodamco	139.80
100.5	82.8	Rolinco	99.40
52.6	49.6	Rorento	52.40
281.2	207.8	Royal Dutch	281.20
692.5	135	Unilever	137.50
28	22.5	VMF Stork	24.80
91.8	68	VNU	91.80
92	73	Wessanen	92
140	106.5	Wolters Samsom	130.00

NORWAY

1987 High	1987 Low	July 3	Price Kroner
79	57	Aker-Norcem	79.00
191	169	Bergen bank	171.50
397.5	260	Bergesen B	365.00
211	176	Christiania Bk	180.00
208	148	Den Norsk Credit	152.50
109	86.5	Elkem	102.50
161	128.5	Kosmos	128.50
220	170	Kvaerner	220.00
258	204	Norsk Data	223.00
212	131	Norsk Hydro	209.50
424	368	Orkla Borregaar	403.00
368	290	Storebrand	338.00

HONG KONG

1987 High	1987 Low	July 3	Price H.K.$
26.9	17.3	Bank East Asia	26
6.6	4.9	Cathy Pacific	6.4
13.5	8.8	Cheung Kong	12.6
23.7	17.5	China Light	23.6
0.97	0.58	Evergo	0.68
15.1	10.2	Hang Lung	14.8
41	26	Hang Seng Bank	40.5
7.1	3.9	Henderson Land	7.1
24.8	15.3	Hong Kong China	18.4
11.5	6	HK Electric	9.3
8.5	5.1	HK Land	7.35
11	7.4	HK Shanghai Bank	9.1
15.5	11.3	HK Telephone	14.1
14	11.3	Hutchison Wpa	13.4
28.3	17.7	Indust Equity P	20.3
20	13.1	Jardine Math	18.3
13.5	8.1	New World Dev	13.5
17.1	9.25	SHK Props	17
1.48	1.12	Shell Elec. Mfg.	1.46
25	15.5	Swire Pac A	23.8
14.5	8.45	TV-B	14.5
9.9	7.5	Wharf Hldgs	9.2
12.8	8.4	Windsor Ind.	12.6
4.17	3	World Int Hldgs	4.15

AUSTRALIA

1987 High	1987 Low	July 3	Price Aust.$
4.1	2.55	ACI Int.	4.10
3.8	1.8	A.F.P.	2.65
14.5	7.9	Adelaide Steams	8.62
5.04	4.15	Amcor	4.85
4.3	2.8	ANZ Group	4.25
3.45	2.65	Ampol Pet	3.10
3.75	2.65	Ariadne Aust	2.70
4.7	2.7	Ashton	3.90
3.12	2.25	Aust Guarant	2.85
2.06	1.05	Aust Nat Inds	2.06
8.4	7.1	Bell Group	8.20
6.4	4.05	Bell Resources	4.35
2.63	1.67	Bond Corp Hldgs	2.49
5.24	4.35	Boral	5.24
5.46	3.1	B'ville Copper	4.70
10.1	6.95	Brambles Inds	10.10
1.89	0.85	Bridge Oil	1.55
10.35	7.75	BHP	9.94
1.9	1.2	BHP Gold	1.33
4.91	3.77	Burns Philp	4.70
11.3	6.4	CRA	9.24
4.35	3.55	CSR	4.08
5.8	2.55	Chase Corp	2.82
1.85	0.7	Claremont Petro	1.05
7.46	6	Coles Myer	7.30
3.65	2	Comalco "A"	3.65
0.74	0.16	Consolidated Pet	0.20
3.8	2.05	Costain Aust	2.40
5.1	4	Elders IXL	4.76
2.7	1.55	Energy Res	[illegible]
3.43	2.18	Gen Prop Trust	3.40
4.95	3.42	Goodman Fielder	3.90
4	2.8	Hardie (J.)	3.70
5.1	2.6	Hartogen Energy	3.25
4.35	2.7	ICI Aust	[illegible]
6	4.35	Industrial Equity	4.70
0.87	0.38	Jimberlana (50cFP)	0.50
14.06	10	Jones (David)	10.60
1.45	0.85	Kia Ora Gold	1.15
9.8	5.9	Kidston Gold	6.70
15.5	8.4	Lend Lease	15.50
3.48	1.45	MIM	2.65
4.75	3.9	Mayne Nickless	4.72
5.2	4.1	Nat. Aust. Bank	4.90
25	17	News	[illegible]
4.5	3.1	Noranda Pacific	3.85
3.29	1.91	North Bkn Hill	3.15
1.11	0.53	Oakbridge	0.58
5.06	3.5	Pacific Dunlop	4.88
4.5	2.68	Pancont'l	3.80
3.65	3.05	Pioneer Conc	3.50
4.75	2.1	Placer Pacific	3.40
6.1	2.7	Poseidon	5.20
1.7	0.98	Queensland Coal	1.59
7.2	3.85	Santos	6.66
4.85	4.18	Smith (H.)	4.85
4.65	3.16	Thos Natwide	4.65
8.1	5.75	Tooth	8.00
4.05	2.55	Vamgas	3.70
8.12	3.51	Western Mining	6.80
5.3	4.4	Westpac	5.10
2.68	1.55	Woodside Petrol	2.00
4.1	3.28	Woolworths	3.30
4.4	2.5	Wormald Intl	3.20

SPAIN

1987 High	1987 Low	July 3	Price Pts.
1680	1275	Banco Bilbao	1320.00
1135	970	Banco Central	1025.00
650	385	Banco Exterior	410.00
630	450	Banco Hispano	490.00
1900	1395	Banco Popular	1555.00
1295	930	Banco Santander	1171.00
2000	1600	Banco de Vizcay	1850.00
910	610	Banesto	747.00
870	450	Dragados	825.00
113.2	52.2	Hidrola	74.50
169.2	84.2	Iberduero	117.00
598	375	Petroleos	532.50
204.7	146.5	Telefonica	191.70

SWITZERLAND

1987 High	1987 Low	July 3	Price Frs.
13050	8,725	Adia Intl.	12000
669	430	Alusuisse	650
4100	2925	Bank Leu	3325
2510	1,570	Brown [illegible]	2400
3,850	2,920	Ciba Geigy	3700
2,575	2,000	do. (PtCts)	2510
3,840	2900	Credit Suisse	3175
3,810	3400	Elektrowatt	3625
1990	1370	Fischer (Geo.)	1490
142,750	111,000	Hoff-Roche (Pt Cts)	134000
14,250	11,950	Hoff-Roche 1/10	13400
9175	7,900	Jacobs Suchard	9175
4,130	3275	Jelmoli	3550
1,880	1500	Landis & Gyr	1600
9,950	8,625	Nestle	9775
1450	1,110	Oer-Buhrle	1450
2,300	2,090	Pargesa Hldg	2260
460	389	Pirelli	437
12700	10,300	Sandoz (Br)	12700
2175	1,550	Sandoz (PtCts)	2150
870	590	Schindler (PtCts)	770
1,750	1500	Sika	1650
8,950	6010	Surveillance	6700
1395	1,080	Swissair	1385
572	421	Swiss Bank	460
20,300	15200	Swiss Reinsce	17500
2,788	1960	Swiss Volksbk	2140
6,120	4350	Union Bank	4750
7,500	5,800	Winterthur	6600
7,917	5875	Zurich Ins	6675

SOUTH AFRICA

1987 High	1987 Low	July 3	Price Rand
4.2	2.9	Abercom	3.15
19.25	14.5	AE & CI	17.00
152	92	Allied Tech.	150.00
43	33	Anglo Am Coal	33.00
84	67	Anglo Am Corp	81.50
396	308	Anglo Am Gold	363.00
25	18.25	Barclays Bank	21.50
26.75	18.9	Barlow Rand	23.75
81.75	65	Buffels	72.75
5	2.9	CNA Gallo	4.50
7.4	5	Currie Finance	5.60
43.25	35.75	De Beers	42.25
86	66.5	Driefontein	80.50
60.75	48	Freegold	53.25
81	57	Gold Fields SA	79.00
7	4.9	Highveld Steel	6.85
21.25	17	Malcor Hldgs	19.00
8.55	6.2	Nedbank	8.40
19.1	13	OK Bazaars	18.50
15.5	10	Rembrandt	15.00
57.62	44.87	Rust Plat	52.62
28	17.5	Safren	26.00
19	10	Sage Holdings	16.00
21.5	15.3	SA Brewers	18.80
44.5	29.75	Smith (C.G.)	44.50
12.75	7.75	Tongaat Hulett	12.50

SINGAPORE

1987 High	1987 Low	July 3	Price $
2.09	1.25	Boustead Hldgs	2.09
6	4.25	Cerebos Pacific	5.75
5.2	3.5	Cold Storage	4.76
14.6	9.05	DBS	14.4
8.8	6.15	Genting	6.65
5.1	2.58	Haw Par Bros	5.1
4.9	2.71	Hong Leong Fin	4.82
5.75	2.72	Inchcape Bhd	5.7
3.9	2.74	Keppel Shipyard	3.66
8	5.15	Malay Banking	7.75
2.61	1.16	Malayan Utd. Ind.	2.37
0.93	0.39	Multi Purpose	0.89
10.3	8.9	OCBC	9.55
4.88	3.22	OUB	4.76
2.8	1.17	Public Bank	2.63
3.52	1.93	Sime Darby	3.5
14.2	9.25	Singapore Air	12.9
9.4	7.6	Singapore Press	9.4
4.48	3.66	Straits Trading	4.48
3.8	2.82	Tat Lee Bank	3.8
5.9	4.18	UOB	5.9

JAPAN

1987 High	1987 Low	July 4	Price Yen
4100	1890	Ajinomoto	3200
1,990	1020	All Nippon Air	1790
2550	1320	Alps Electric	2340
1280	770	Asahi Chemicals	1160
2180	1310	Asahi Glass	1890
1900	1040	Bank Tokyo	1620
1118	602	Bridgestone	1050
694	545	Brother Inds.	660
1030	691	Canon	945
1410	861	Casio Computers	1310
1960	1340	Chugai Pharm	1910
1910	1190	Daiei	1820
4160	1950	Dai Ichi Kan Bank	3090
809	603	Dai Nippon Ink	763
2400	1700	Dai Nippon Ptg	2200
2630	1760	Daiwa House	2160
3930	1750	Daiwa Sec	2770
2380	1710	Eisai	2220
6150	386	Fanuc	5960
4220	2950	Fuji Bank	2950
3990	2730	Fuji Film	3890
2360	1750	Fujisawa	2320
1200	700	Fujitsu	1160
2070	479	Furukawa Elect	720
2990	2230	Green Cross	2650
2230	1650	Heiwa Real Est	1650
1230	860	Hitachi	1180
2080	1500	Hitachi Credit	1660
1790	1140	Honda	1680
5400	2560	Indl Bank Japan	4250
769	406	Ishikawajima Ha	611
418	310	Isuzu Motors	392
1030	731	Itoh (C)	750
4240	3210	Ito Yokado	3990
16800	1200	JAL	13300
1780	1050	Jusco	1650
2130	1460	Kajima	1570
2170	1650	Kao Soap	2040
283	175	Kawasaki Steel	235
3090	1600	Kirin	2570
349	156	Kobe Steel	237
690	474	Komatsu	660
950	571	Konishiroku	828
678	348	Kubota	575
1340	1020	Kumagai	1020
6200	3560	Kyoto Ceramic	5850
620	440	Marubeni	510
3610	2500	Marui	3400
452	330	Mazda Motors	422
1220	800	Meija Seika	1120
2330	1460	MEI	2330
4200	2010	M'bishi Bank	3090
1270	731	M'bishi Chem	1240
1640	960	M'bishi Corp	1210
680	408	M'bishi Elec	663
3490	2440	M'bishi Estate	2550
662	430	MHI	565
3030	1310	Mitsui Bank	2250
939	530	Mitsui Co.	730
3100	1850	Mitsui Estate	2300
804	335	Mitsui Toatsu	760
1840	1020	Mitsukoshi	1700
1,040	807	NGK Insulators	920
3120	1510	Nikko Sec	2300
1660	1050	Nippon Denso	1600
2200	1400	Nippon Elect	2130
1610	1170	Nippon Express	1190
1700	1270	Nippon Gakki	1560
908	600	Nippon Kogaku	870
367	230	Nippon Kokan	261
1490	1120	Nippon Oil	1490
588	439	Nippon Seiko	588
1470	1000	Nippon Shimpan	1360
398	171	Nippon Steel	297
[illegible]	460	Nippon Suisan	625
691	443	Nippon Yusen	575
765	550	Nissan Motor	708
1450	728	Nisshin Flour	1200
5900	2920	Nomura	4390
1390	948	Olympus	1130
840	540	Onada Cement	690
2250	1010	Orient Finance	1540
4360	3350	Orient Leasing	3750
3130	1600	Pioneer	3040
1100	700	Ricoh	1040
2050	1610	Sankyo	1900
3610	1610	Sanwa Bank	2820
580	361	Sanyo Elect	580
2233	1239	Sapporo	1910
2640	1660	Sekisui House	2300
8490	6700	Seven-Eleven	7900
1250	816	Sharp	1230
1190	723	Shimizu Const	905
1980	1550	Shionogi	1750
2170	1680	Shiseido	2110
710	362	Showa Denko	680
4340	2720	Sony	4200
4930	2560	S'tomo Bank	3600
970	395	Sumitomo Chem	925
1850	930	Sumitomo Corp	980
1870	1460	S'tomo Elect	1780
270	140	S'tomo Metal	220
1350	892	Taisei Corp	1010
1570	971	Taisho Marine	1150
1900	780	Taiyo Kobe Bank	1660
3630	2480	Takeda	3100
4250	2660	TDK	4210
880	660	Teijin	825
2250	1620	Toa Nenryo Kyo	2200
2600	1180	Tokai Bank	2260
2890	1810	Tokyo Marine	2090
9350	6020	Tokyo Elect Pwr	6020
1570	1000	Tokyo Gas	1000
2100	1270	Tokyu Corp	1600
1780	1410	Toppan Print	1650
790	555	Toray	730
796	599	Toshiba Elect	657
2680	1910	Toyo Seikan	2570
2100	1460	Toyota Motor	1960
530	258	UBE Inds	480
3270	1690	Victor	3240
900	603	Yamaha	828
3100	1500	Yamaichi Sec	2300
4490	3630	Yamanouchi	4350
1900	1560	Yamazaki	1650
1560	935	Yasuda Fire	1100

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices July 3

Sales	Stock	High	Low	Close	Chng
802	AMGA Int	$10½	10¼	10¼	
55663	Abitibi Pr	$34¼	34	34⅛	+⅛
5350	Agnico E	$30½	30¼	30⅜	+¼
27348	Albrta En	$20⅝	20⅜	20½	+⅛
143500	Albrta N	$14½	14½	14½	+¼
108683	Alcan	$42	40⅞	41⅞	+⅞
15	Algo Cent	$22⅞	22⅞	22⅞	
254	Algoma St	$16⅛	16⅛	16⅛	-⅞
255650	Asamera	$13	12¾	12⅞	-⅛
49114	Atco 1 f	$11½	11¼	11⅜	+⅛
2600	BGR A	$13⅜	13¼	13¼	-¼
21287	BP Canada	$23	22¾	23	
1925	Banister C	$13½	13¼	13⅜	
8922	Bk BCol	61	58	58	-2
32189	Bk Montl	$34⅜	34⅛	34⅜	+¼
42807	Bk NScot	$18¼	18	18⅛	
48445	Bell Can	$42⅝	42⅜	42½	+⅛
2802	Bow Valy	$19¾	19⅜	19⅝	-⅛
9000	Bralorne	230	225	225	+5
300	Bramalea	$23⅝	23⅝	23⅝	+⅜
33412	Brascan A	$36¼	35⅜	35⅜	+1⅛
11080	Brkwater	$8¼	8⅛	8⅛	-¼
6900	Brenda M	$13¼	13¼	13¼	+¼
16590	BC ForP	$21¾	21⅝	21¾	+½
22345	BC Res	123	120	121	-3
133864	BC Phone	$27⅞	27¾	27¾	-⅛
52000	Brunswk	$16¼	16	16¼	+¼
11475	CAE	$10⅞	10⅜	10¾	+⅛
8800	CCL B f	$13⅞	13¾	13⅞	-⅛
200	Cad Frv	$32	32	32	-½
6175	Cambridg	$28½	28⅜	28½	+⅛
1825	Camp RLk	$35	34¼	35	+⅜
200	Camp Res	290	290	290	+5
21150	Campeau f	$42½	41	42	+1½
50	CCem ex p	$15¾	15¾	15¾	
49096	CDC f	$14¼	14	14⅛	
536	C Nor West	$24¾	24¾	24¾	
6600	C Packrs	$16	15⅞	16	+⅛
6320	CS Pete f	375	370	370	-5
650	Can Trust	$74	73¾	74	-½
12300	Cdn GE	$21⅛	21⅛	21⅛	
40	CG Invest	$51	51	51	
162543	CI Bk Com	$22	21¾	21⅞	
1000	C Marconi	$21	21	21	+¼
3800	C Occidntl	$30⅞	30⅛	30⅞	
393091	CP Ltd	$28⅜	28	28¼	+⅜
32864	CTire A f	$15¼	14⅞	15⅛	+⅛
3497	CUtil A f	$20⅜	20¼	20⅜	+⅛
300	CUtil B	$20⅜	20⅜	20⅜	+¼
13875	Canfor	$29¾	28½	29¼	+⅜
1500	Cara	$12⅜	12¼	12⅜	
700	Cara A f	$12	11⅞	12	+¼
2881	Carma A	11	11	11	
301	Celanese	$20¼	20¼	20¼	-¼
9700	CentFd A	$9	8⅞	8⅞	
100	Centrl Tr	$21⅜	21⅜	21⅜	-½
300	CHUM B f	$18	18	18	+½
208447	Cominco	$17⅞	17½	17¾	+½
5900	Computlog	$8⅝	8⅛	8¼	-¼
4320	Comput In	315	315	315	
23240	Con Bath A	$18½	18	18½	+¼
1800	CDistb B f	470	465	470	+10
5792	Cons Gas	$27	26¾	27	+⅛
12300	Con Glass	$25	25	25	+¼
100	CTL Bank	325	325	325	-5
2100	Corby	$20¾	20¾	20¾	+½
100	Costain Ltd	$12⅞	12⅞	12⅞	-⅛
6500	Coseka R	115	110	110	-4
2400	Crownx	$16	16	16	-¼
13128	Crownx A f	$7¾	7⅝	7⅝	-⅛
5500	Czar Res	239	233	235	
1640	Denison A p	$7	7	7	
18080	Denison B f	$6½	6⅜	6½	+⅛
1000	Develcon	390	390	390	-5
2800	Dicknsn A f	$11¾	11⅜	11⅜	-⅜
1200	Dicknsn B	$12	12	12	+⅛
19867	Dofasco	$25⅛	24½	25¼	+⅜
51700	Dome Mine	$17¾	17⅜	17¾	+⅛
152337	Dome Pete	117	113	116	+4
4458	D Textle	$19¾	19½	19¾	
140517	Domtar	$20¼	19½	20¼	+⅞
2800	Donohue	$36	36	36	+¼
2550	Du Pont A	$30¼	30¼	30¼	+¼
17450	Dylex A	$15⅞	15⅝	15⅞	+⅛
300	E-L Fin	$62½	62½	62½	-½
2900	Echo Bay	$47¼	47	47	-¼
1100	FCA Intl	$17	16¾	17	+¼
530688	Fcnbrdg	$23½	22½	23⅜	+1
6650	Fed Ind A	$17½	17⅜	17⅜	-⅛
300	FCity Fin	$19	18⅞	19	
600	Gandalf	$11	10¾	10¾	-⅛
6100	Geac Comp	265	255	265	+14
100	Gendis A	$19¼	19¼	19¼	-¼
13750	Gibrltar	$12⅝	11¾	12⅝	+1
2800	Goldcorp f	$10¼	10¼	10¼	-⅛
17525	Grafton A f	$15	14⅞	14⅞	+⅜
800	GL Forest	$47½	46⅝	46⅝	+⅛
498	Greyhnd	$27	27	27	-¼
8000	GuarPA f	$18⅝	18⅜	18⅜	
289	Hayes D	$11⅛	11⅛	11⅛	-⅛
4000	Hees Intl	$25	24⅞	25	+⅛
4962	H BayMn s	$10¾	10½	10¾	+⅜
14506	H Bay Co	$23	22¾	23	+⅛
23260	Imasco	$35⅞	35½	35⅞	+¼
10938	Imp Oil A	$74	73½	73½	-⅜
392105	Inco	$24	22¼	24	+1⅜
300	Indal	$13⅝	13⅝	13⅝	+⅛
8872	Inland Gas	$14⅜	14¼	14⅜	-¼
9100	Innopac	$11½	10	11¼	+1
9029	Inter City	$19½	19¼	19½	+⅛
33075	Intl Thom	$14⅛	13⅞	14	+⅛
5800	Intpr Pipe	$51	51	51	
15	Ipsco	$10¾	10¾	10¾	
600	Ivaco A f	$15¼	15¼	15¼	+⅛
200	Ivaco B	$15½	15½	15½	+⅛
11100	Jannock	$20¼	20½	20¼	+¼
81298	Kerr Add	$25	23⅞	25	+1½
6425	Kiena Gld	$19¼	19	19	-½
15363	Labatt	$28⅞	28¼	28⅞	+½
18701	LL Lac	$40½	40⅛	40⅜	+¼
4000	Lacana	$17¾	17½	17½	-⅛
8612	Laidlaw A	$21⅜	21⅛	21¼	+⅛
67435	Laidlw B f	$20	19⅞	19⅞	
4200	Leigh Inst	$5⅜	5¼	5¼	
39100	Loblaw Co	$15⅜	15	15⅜	+⅜
2810	Lumonics	$11½	11¼	11¼	-⅜
2500	MICC	$16⅜	16⅜	16⅜	-⅛
139700	Mclan H X	$19⅞	19¼	19⅞	+⅛
600	Mcln HY f	$17⅞	17⅞	17⅞	-⅛
23417	Macmilan	$27¼	27⅛	27⅛	
9006	Magna A f	$25⅛	24⅞	25⅛	+⅛
1728	Markime f	$15⅜	15⅜	15⅜	+⅛
3200	Mc Intyre	$43	43	43	+1
85675	Minrl Res	440	425	440	+5
81700	Mitel Corp	$6	5⅞	6	+¼
47300	Molson A f	$24⅜	24⅛	24¼	+¼
5900	Molson B	$24⅞	24½	24⅞	+½
2200	MCity Bk	$17⅞	17⅞	17⅞	+⅛
8300	M Trusco	$14⅛	13¾	13¾	-½
32615	Moore	$34⅜	33⅞	34¼	+⅜
10525	Nat Bk Can	$14½	14⅛	14⅛	-⅛
11000	Nt Vg Trco	$23¾	23¼	23¼	+⅛
574025	Noranda	$31	29⅜	30¾	+1⅜
8400	Norcen	$26⅞	26½	26¾	+¼
360	Norcn ord f	$23¾	23¾	23¾	+¼
1600	NC Oils	$17⅜	17⅛	17⅜	+¼
28435	Nor Tel	$28⅜	27⅞	28¼	+⅛
6800	Northgat	$10⅛	10	10⅛	+¼
195880	Nva AltA f	$9½	9⅛	9⅜	+⅛
400	Nowsco W	$20¼	20	20¼	
2935	Nu West	38	38	38	+2
150	Numac	$10¾	10¾	10¾	+¼
1000	Oakwood	300	300	300	-5
2000	Oakwd A f	175	175	175	
33800	Oshawa A f	$22	22	22	
43565	PacW Airl	$26	25⅜	25¾	+⅜
12800	Pgurin A f	$14¼	13⅞	14¼	+¼
1000	Pamour	$14¾	14¾	14¾	-½
10680	PanCan P	$33½	33¼	33½	+⅜
4900	Pegasus	$26⅜	26⅛	26⅛	-⅜
1000	PJewl A f	$14	14	14	
1185	Pine Point	$14½	13⅞	13⅞	-⅜
64850	Placer D	$21⅜	20¾	21¼	+⅜
21600	Poco Pet	$16	15¾	16	+⅛
22950	Powr Cor f	$17⅜	17½	17¼	+⅜
6900	Provigo	$12⅝	12⅝	12⅝	+¼
12000	Que Sturg	$7	7	7	
4050	Ranger	$7½	7⅜	7⅜	
1150	Rayrock f	$11¾	11⅜	11⅜	
5900	Redpath	$12½	12⅜	12½	+⅛
14000	Regionl R	340	340	340	-5
21400	Rio Algom	$22½	21⅝	22½	+1¼
805	Rogers B f	$21¾	21¾	21¾	-⅛
1800	Roman	$16	16	16	
875	Rothman	$79	78½	79	+½
25220	Royal Bnk	$34⅝	34⅜	34½	+⅛
78372	RyTrco A	$17	16¾	17	+¼
17427	Royex	$5⅛	5	5⅛	+⅛
50	SHL Syst	$24¾	24¾	24¾	
5250	StL CemA f	$26¾	26¾	26¾	
1400	Sceptre	485	480	480	-5
4900	Scot Paper	$20⅜	20⅛	20⅜	+¼
4100	Scotts f	$11¾	11⅝	11¾	+⅛
22920	Seagram	$102¼	102	102¼	+⅜
13502	Sears Can	$11¾	11⅝	11¾	+⅛
19500	Shell Can	$47	46⅞	47	+¼
603	Sherritt	$6	5⅞	5⅞	+⅛
21679	Southm	$24¼	20½	24¼	+3¾
2700	Spar Aero f	$20⅜	20¼	20¼	
6890	Steinbg A f	$36½	36½	36½	
5175	Stelco A	$24⅝	24⅜	24⅝	+⅜
2800	Teck B f	$31	30⅝	31	+⅜
1620	Terra Mn	245	245	245	
23557	Texaco Can	$37¾	37¼	37⅝	+¼
27250	Thom N A	$34⅜	33¾	34⅛	+⅜
50295	Tor Dm Bk	$30½	30¼	30¼	
69	Tor [illegible]	$19⅞	19⅞	19⅞	
3415	Torstar B f	$31¾	31½	31½	-¼
2675	Total Pet	$25⅝	25½	25½	
16965	Traders A f	$67	66	66	-½
140	Trns Mt	$16⅜	16	16	
65171	TrnAlta UA	$29½	28⅝	29⅜	
32678	TrCan PL	$17⅜	17½	17⅜	-⅛
11530	Trilon A	$20⅛	19⅞	20	
37767	Trimac	$5	495	495	
1000	Trinity Res	93	93	93	+3
275	Trizec A f	$33½	33½	33½	+½
10000	Trizec B	$33¾	33¼	33⅜	
15100	Ulster P	290	280	280	-5
100	Un Carbid	$17¾	17¾	17¾	+⅛
4100	U Entprise	$12¼	12⅛	12¼	+⅛
200	U Canso	116	116	116	-1
614	Un Corp	$50	50	50	
9550	Scot Paper	$20⅜	20⅛	20⅛	-⅛
9560	Scotts f	$11⅛	11½	11⅜	
800	Scotts C	$12⅜	12¼	12¼	
58586	Seagram	$102¼	99¾	101⅞	+1⅜
145430	Sears Can	$12	11⅝	11⅝	-⅛
14400	Selkirk A f	$18¾	18⅜	18¾	+⅜
24174	Shell Can	$47	46¾	46¾	-⅜
158565	Sherritt	$5¾	5¾	5¾	-⅛
2523	Sigma	$18¾	18¾	18¾	
47012	Southm	$24	23½	23½	-¼
7906	Spar Aero f	$20½	20⅛	20⅛	
3700	Steinbg A f	$37	36½	36½	-½
36643	Stelco A	$24½	24⅛	24¼	-⅛
25975	Teck B f	$30⅝	30⅜	30⅜	
200	Tele Met	$29	29	29	-½
20381	Terra Mn	250	245	245	
42250	Texaco Can	$37½	37⅛	37½	+⅜
35380	Thom N A	$33¾	33¼	33½	+¼
213652	Tor Dm Bk	$30⅜	30⅛	30¼	+⅜
6935	Tor Sun	$20	19¾	20	+¼
7715	Torstar B f	$31½	31	31¼	+¼
38800	Total Pet	$25⅝	25⅜	25½	-⅛
6358	Traders A f	$67	66	66½	
2300	Trns Mt	$16¼	15¾	16	
41617	TrnAlta UA	$29½	29	29⅜	+⅛
78788	TrCan PL	$17¾	17⅜	17¾	+⅛
29460	Trilon A	$20⅛	20	20	-⅛
245800	Trimac	$5	495	495	-5
200	Trinity Res	85	85	85	
6400	Trizec A f	$33	33	33	-½
4560	Trizec B	$33¾	33¾	33¾	
16088	Ulster P	290	280	285	+5
200	Un Carbid	$17⅝	17⅝	17⅝	
633	U Canso	117	117	117	+2
3403	Un Corp	$50	50	50	
23700	Verstl A f	70	62	63	-7
42500	Verstl B	60	50	50	-10
3000	Vestgron	115	115	115	
7010	Vulcan Ind	300	290	290	-10
16083	Wajax A	$14⅞	14¾	14¾	
20214	Wcoast T	$18⅜	18¼	18¼	
16255	Westmin	$12⅛	11⅞	12⅛	+⅛
7185	Weston	$41½	41⅜	41⅜	-⅜
803	Woodwd A	$6⅛	6	6⅛	+⅛

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices July 3

Sales	Stock	High	Low	Close	Chng
23355	Bank Mont	$34⅜	34	34⅜	+¼
3509	BombrdrA	$24¼	23⅞	24¼	+⅜
26273	BombrdrB	$24¼	23½	24⅛	+⅜
2050	CB Pak	$22⅞	22⅝	22⅞	+¼
23835	Cascades	$12⅞	12¾	12¾	-¼
300	CIL	$30½	30⅛	30½	+¼
38630	ConBath	$18½	18	18½	+¼
939	DomTxtA	$19¾	19¾	19¾	+⅛
9025	MntTrst	$14¼	14	14¼	
25167	NatBk Cda	$14½	14⅛	14¼	-¼
6864	Noverco	$12⅛	12	12⅛	
97610	Power Corp	$17⅜	17	17⅛	-⅛
9592	Provigo	$12¾	12⅝	12½	+¼
2000	RollandA	$15⅞	15⅝	15⅝	+⅛
14259	Royal Bank	$34⅜	34⅜	34⅜	+¼
700	SteinbrgA	$36¾	36½	36½	-¼
3600	Video Tron	$16	15¾	16	+⅛

Total Sales 4,459,203 shares

Indices

NEW YORK

DOW JONES

	July 2	July 1	June 30	June 29	1987 High	1987 Low	Since compilation High	Since compilation Low
♦Industrials	2436.70	2409.76	2418.53	2446.91	2451.05 (25/6)	1927.31 (2/1)	2451.05 (25/6/87)	41.22 (2/7/32)
Home Bonds	89.10	88.89	88.94	89.14	95.51 (9/2)	87.07 (22/5)	(—)	(—)
Transport	1030.43	1023.45	1026.08	1029.50	1038.25 (25/6)	816.38 (2/1)	1038.25 (25/6/87)	12.32 (8/7/32)
Utilities	205.90	205.95	205.90	207.22	227.83 (22/1)	191.39 (20/5)	227.83 (22/1/87)	10.5 (8/4/32)

♦Day's High 2446.27 (2430.80) Low 2415.66 (2391.26)

STANDARD AND POOR'S

	July 2	July 1	June 30	June 29	1987 High	1987 Low	Since compilation High	Since compilation Low
Composite‡	305.63	302.94	304.00	307.90	309.65 (22/6)	246.45 (2/1)	309.65 (22/6/87)	4.40 (1/6/32)
Industrials	355.04	351.53	352.98	357.53	358.31 (25/6)	274.58 (2/1)	358.31 (25/6)	3.62 (21/6/32)
Financials	29.55	29.41	29.46	29.90	31.51 (6/3)	25.97 (29/5)	31.51 (6/3/87)	8.64 (1/10/74)
NYSE Composite	171.83	170.52	171.52	172.99	179.77 (22/6)	141.01 (2/1)	173.77 (22/6/87)	4.46 (25/4/42)
Amex Mkt. value	339.74	337.91	338.13	338.68	342.23 (6/4)	267.49 (2/1)	342.23 (6/4/87)	29.31 (9/12/72)
NASDAQ OTC Comp	425.88	424.46	424.67	426.48	439.64 (20/3)	353.26 (2/1)	439.64 (20/3/87)	54.87 (3/10/72)

	June 26	June 19	June 12	year ago (approx.)
Dow Industrial Div. Yield	2.82	2.81	2.83	3.59

	July 2	June 24	June 17	year ago (approx.)
S and P Industrial Div. Yield	2.40	2.49	2.42	3.77
S and P P/E ratio	29.20	23.46	23.25	11.54

TRADING ACTIVITY

† Volume (Millions)

	July 2	July 1	June 30
New York	154.930	157.040	166.261
Amex	10.131	11.327	16.220
OTC	—	—	—

NEW YORK

	July 2	July 1	June 30
Issues Traded	1,934	1,950	1,970
Rises	937	651	591
Falls	572	855	993
Unchanged	425	444	386
New Highs	61	46	53
New Lows	15	19	23

CANADA

TORONTO

	July 3	July 2	July 1	June 30	1987 High	1987 Low
Metals & Minerals	2934.0	2830.8	(c)	2778.2	2943.6 (2/1)	1988.2 (2/1)
Composite	3808.0	3767.7	(c)	3740.2	3881.2 (6/4)	3067.8 (2/1)
MONTREAL Portfolio	1932.97	1912.91	(c)	1890.42	1935.0 (6/4)	1534.3 (2/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Banctx W1	5,154,000	11½	+½
E-II Hold	4,215,500	15	(—)
IH Power	4,002,100	37	-⅛
Caro Pwr	3,712,500	36¾	-⅜
ATT	3,476,200	29¼	+⅛

Thursday	Stocks traded	Closing price	Change on day
Union Carb	2,979,100	30⅝	+1¼
Santa Fe	1,901,900	52½	-½
Inspiration	1,696,500	7⅞	+½
Cons Rail Cp	1,406,800	53	+½
Phillips Pet	1,353,700	16⅞	+⅛

	July 3	July 2	July 1	June 30	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1833.7	1800.0	1774.0	1765.8	1858.8 (18/5)	1486.7 (2/2)
Metals & Min'ls (1/1/80)	1121.8	1079.6	1051.5	1029.0	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	185.36	185.41	185.74	185.94	230.60 (2/1)	182.21 (19/6)
BELGIUM						
Brussels SE (1/1/84)	4950.90	4829.61	4780.22	4786.80	4950.90 (3/7)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	209.24	206.68	206.85	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	574.6	570.1	565.9	560.6	574.6 (3/7)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	415.30	407.40	402.80	404.50	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	106.60	104.20	101.90	101.80	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	625.16	620.01	608.83	619.23	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1892.60	1875.90	1841.20	1873.10	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
HangSeng Bank (31/7/64)	3208.84	3229.15	3163.99	3178.19	3229.15 (2/7)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	685.65	677.85	685.56	691.27	787.34 (30/4)	673.60 (3/3)
JAPAN**						
Nikkei (16/5/49)	24465.48	24636.46	24252.38	24176.40	25929.42 (17/6)	18544.0 (13/1)
Tokyo SE New (4/1/68)	2050.52	2072.39	2042.53	2039.08	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	310.50	306.40	303.50	306.80	310.50 (3/7)	257.7 (28/1)
ANP CBS Indust. (1970)	264.50	260.70	259.00	207.00	274.9 (5/1)	243.60 (11/6)
NORWAY						
Oslo SE (4/1/83)	433.13	431.75	432.00	432.26	436.16 (24/4)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1287.28	1268.70	1261.18	1261.04	1287.28 (3/7)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2091.0	2085.0	2060.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	1929.0	1931.0	1923.0	1957.0 (19/5)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	243.39	244.79	246.24	247.58	255.95 (23/2)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2751.80	2706.50	2689.80	2704.60	2782.10 (6/5)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Co. (31/12/58)	618.50	613.3	610.00	613.00	618.50 (3/7)	564.5 (25/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	462.40	458.20	459.20	480.30 (12/6)	361.3 (2/1)

**Saturday June 27: Nikkei Index 24,902.72

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common 50; Standard and Poor's—10; and Toronto Composite and Metals 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities 40 Financials and 20 transports. (c) Closed (u) Unavailable

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Funding and sterling fears dominate sentiment

By Colin Millham

STERLING'S RECOVERY towards the end of last week helped restore a little confidence to London's fninancial markets, and prevent a slide in the gilt market.

Citifutures, the futures trading arm of Citibank, suggested earlier in the week that if the pound did not hold, gilt futures could fall sharply.

County NatWest Gilt-Edged Securities commented that funding worries and uncertainty about sterling had put upward pressure on real yields, and overseas investors were less enthusiastic about gilts than expected, because of greater dollar confidence.

The main problem as far as the markets are concerned is the heavy intervention by the authorities, to prevent sterling rising before the June UK general election.

This has offset the earlier confidence generated by a lower than expected public sector borrowing requirement in the Budget, reversing forecasts of a shortage of stock.

Stockbrokers, James Capel, pointed out that before the June fall of $230m in UK official reserves there had been a three-month rise of $9.5bn.

This threatens to cause considerable problems with money supply growth, unless the sale of sterling to the market is sterilised by much larger than expected sales of gilts.

County NatWest said that at the time of the Budget monthly funding estimates were around £750m, but that intervention by the authorities to sell the pound have pushed that up to £1.25bn a month, and it was this that caused a rise in yields back over 9 per cent.

There has also been a disappointing response from overseas investors to the Conservative Party victory in the election, partly because of profit taking in long sterling positions and also because overseas investors, particularly the Japanese, have been attracted back into US bonds, as the dollar has improved.

Morgan Grenfell commented that the dollar's strength is rather surprising, given the weakness in the economy, with the encouraging fall to 6.1 per cent from 6.3 per cent in unemployment less important than the disappointing rise of only 116,000 in non-farm employment.

Shortly after the UK election Nomura Research Institute said funds could be expected to flow steadily, rather than dramatically, into gilts over the next few months. County NatWest agrees that the process of building up sterling portfolios will be a long drawnout process.

But at the same time underlying sentiment about sterling is good. Nomura says it sees a move by sterling up to $1.70 and DM 3.00, and expects the authorities to be concerned about lack of competitiveness at these levels, sanctioning a cut in bank base rates.

Lloyds Bank, in its latest International Financial Outlook, expects sterling to rise to $1.75 by June 1988. County NatWest sees sluggish growth in continental Europe, accompanied by lower interest rates, with UK rates moving in a similar direction.

The most important UK economic statistic released this week will be the retail prices index on Friday. Morgan Grenfell forecasts no change in June prices, for the first time since July last year, leaving the year-on-year inflation rate at 4.1 per cent.

County NatWest predicts a rise of 0.2 per cent and an annual rate of 4.4 per cent, with summer sales helping to keep inflation at a reasonable level.

James Capel tends to agree the inflation rate will probably rise to 4.4 per cent in June and expects a peak of 4.6 per cent in July.

£ IN NEW YORK

July 3	Latest	Previous Close
£ Spot	1.6120-1.6130	1.6165-1.6175
1 month	0.25-0.24 pm	0.34-0.33 pm
3 months	0.75-0.72 pm	0.88-0.85 pm
12 months	2.22-2.12 pm	2.67-2.63 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 3	Previous
8.30 am	72.6	72.5
9.00 am	72.7	72.6
10.00 am	72.7	72.6
11.00 am	72.6	72.6
Noon	72.6	72.6
1.00 pm	72.6	72.6
2.00 pm	72.6	72.6
3.00 pm	72.5	72.6
4.00 pm	72.5	72.5

CURRENCY RATES

July 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.700096
U.S. Dollar	5.5	"	1.12996
Canadian $	7.90	*	1.50002
Austrian Sch.	4	N/A	14.5889
Belgian Franc	7½	"	43.0315
Danish Krone	7	"	7.86223
Deutsche Mark	3.0	"	2.07528
Neth. Guilder	4½	"	2.33776
French Franc	9½	"	6.91363
Italian Lira	11.5	"	1502.28
Japanese Yen	2½	"	167.742
Norway Krone	8	"	7.59047
Spanish Peseta	—	"	143.561
Swedish Krona	7½	"	7.23849
Swiss Franc	3.5	"	1.72657
Greek Drach.	20½	"	155.845
Irish Punt	—	"	0.774472

*CS/SDR rate for July 2: 1.70140

CURRENCY MOVEMENTS

July 3	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.5	−21.1
U.S. Dollar	102.8	−4.4
Canadian Dollar	78.4	−10.2
Austrian Schilling	137.5	+10.2
Belgian Franc	99.9	−4.5
Danish Krone	92.2	+2.6
Deutsche Mark	146.7	+21.5
Swiss Franc	171.9	+22.2
Guilder	134.7	+14.5
French Franc	71.5	−12.8
Lira	47.1	−18.4
Yen	215.5	+60.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

July 3	£	$
Argentina	2.9125-2.9260	1.8110-1.8180
Australia	2.2380-2.2410	1.3905-1.3915
Brazil	69.9200-70.3200	43.4800-43.6970
Finland	7.1710-7.1915	4.4610-4.4640
Greece	220.75-224.65	136.70-139.00
Hong Kong	12.5585-12.5740	7.8070-7.8100
Iran	116.10*	71.40*
Korea (Sth)	1300.95-1312.75	804.90-811.50
Kuwait	0.45470-0.45550	0.28260-0.28290
Luxembourg	61.35-61.45	38.10-38.20
Malaysia	4.0640-4.0745	2.5295-2.5310
Mexico	2164.75-2187.05	1346.00-1359.00
N. Zealand	2.7010-2.7060	1.6780-1.6800
Saudi Ar.	6.0335-6.0390	3.7500-3.7510
Singapore	3.4120-3.4190	2.1200-2.1210
S. Af. (Cm)	3.2960-3.3120	2.0505-2.0545
S. Af. (Fn)	5.4580-5.6495	3.3900-3.5090
Taiwan	50.20-50.45	31.05-31.15
U.A.E.	5.9090-5.9145	3.6725-3.6735

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6100	1.6069	1.6010	1.5935	1.5813
D-mark	2.9625	2.9491	2.9224	2.8853	2.8156
French Fr.	9.8650	9.8564	9.8424	9.8282	9.8154
Swiss Fr.	2.4625	2.4507	2.4286	2.3965	2.3351
Yen	239.50	238.39	236.32	233.34	227.72

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0315	+1.35	+0.78	±1.5344
Danish Krone	7.85212	7.86223	+0.13	−0.44	±1.6404
German D-Mark	2.05853	2.07528	+0.81	+0.24	±1.0981
French Franc	6.90403	6.91363	+0.14	−0.43	±1.3674
Dutch Guilder	2.31943	2.33776	+0.79	+0.22	±1.5012
Irish Punt	0.768411	0.774472	+0.79	+0.22	±1.6684
Italian Lira	1483.58	1502.28	+1.26	+1.17	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 3	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.610	2.963	239.5	9.865	2.463	3.335	2145.	2.137	61.40
$	0.621	1.	1.840	148.8	6.128	1.530	2.072	1332.	1.327	38.15
DM	0.338	0.543	1.	80.84	3.330	0.831	1.126	723.9	0.721	20.73
YEN	4.175	6.722	12.37	1000.	41.19	10.28	13.92	8954.	8.923	256.4
F Fr.	1.014	1.632	3.003	[illegible]	10.	2.496	3.381	2174.	2.166	62.24
S Fr.	0.406	0.654	1.203	97.26	4.006	1.	1.354	870.9	0.868	24.93
H Fl.	0.300	0.483	0.888	71.81	2.958	0.738	1.	643.0	0.641	18.41
Lira	0.466	0.751	1.381	111.7	4.600	1.148	1.555	1000.	0.997	28.63
C $	0.468	0.753	1.386	112.1	4.616	1.152	1.561	1004.	1.	28.73
B Fr.	1.629	2.622	4.825	390.1	16.07	4.011	5.432	3493.	3.480	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

July 3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9⅛-9¼	9⅛-9¼	9⅛-9¼	9⅝-9¾	9⅝-9¾	9⅞-9½
U.S. Dollar	6½-6⅝	6⅝-6¾	6¾-6⅞	6⅞-7	7⅛-7¼	7⅜-7½
Can. Dollar	8½-8⅝	8½-8⅝	8⅛-8¼	8½-8⅝	8½-8⅝	8⅞-8⅞
D. Guilder	5-5⅛	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼
Sw. Franc	1⅝-1⅞	1⅝-2	3⅛-3¼	3⅝-3¾	3⅝-3⅞	3⅞-3⅞
Deutschmark	3⅛-3¼	3⅛-3¼	3⅛-3¼	3⅝-3¾	3⅞-3⅞	3⅞-4
Fr. Franc	7⅝-7¾	7⅝-7⅞	7⅞-8	8⅛-8¼	8⅛-8¼	8⅛-8⅞
Italian Lire	9-11	9⅝-9⅞	9⅞-10⅛	9⅞-10⅛	10⅛-10½	10⅛-10½
B. Fr. (Fin.)	6⅛-6¼	6½-6⅝	6½-6⅝	6⅝-6¾	6¾-6⅞	7-7⅛
B. Fr. (Con.)	6⅝-6¾	6⅝-6¾	6⅝-6¾	6½-6⅝	6⅝-6⅞	6⅞-7⅛
Yen	3½-3⅝	3½-3⅞	3¾-3⅞	4-4⅛	4-4⅛	4-4⅛
D. Krone	9-9½	9⅝-9⅞	9⅞-9⅞	9¾-10⅛	10-10½	10⅛-10⅝
Asian $Sing.	5½-6	N/A	4⅛-4¼	4⅛-4½	4⅝-4¾	4¾-4⅞

Long-term Eurodollars: Two years 8-8¼ per cent; three years 8⅛-8⅜ per cent; four years 8½-8¾ per cent; five years 8⅝-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

July 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6075-1.6170	1.6095-1.6105	0.33-0.29c pm	2.31	0.93-0.88 pm	2.25
Canada	2.1357-2.1470	2.1365-2.1375	0.17-0.06c pm	0.65	0.53-0.38 pm	0.85
Netherlands	3.33-3.34¼	3.33-3.34	1¼-1c pm	4.05	3½-3¼ pm	4.05
Belgium	61.30-61.55	61.35-61.45	17-14c pm	3.03	44-39 pm	2.70
Denmark	11.19¾-11.24¼	11.20¾-11.21¾	⅛ore pm-⅛ore dis	−0.20	1-1⅛ dis	−0.49
Ireland	1.1025-1.1111	1.1090-1.1060	0.02-0.11 p dis	−0.71	0.08-0.32 dis	−0.72
W. Germany	2.95¼-2.96¼	2.95¼-2.96¼	1½-1¼pf pm	5.82	4¼-4 pm	5.49
Portugal	230.55-231.95	230.55-231.55	70-135c dis	−5.32	298-382 dis	−5.89
Spain	204.40-205.15	204.70-205.00	94-192c dis	−8.38	274-406 dis	−6.64
Italy	2141-2149½	2144-2145	Par-3 lire dis	−0.84	2-5 dis	−0.65
Norway	10.80¾-10.86½	10.81-10.82	4¼-5 ore dis	−5.13	13¼-14 dis	−5.04
France	9.85¼-9.88¼	9.86-9.87	1¼-¼ c pm	−1.22	3-2 pm	1.01
Sweden	10.29¼-10.34¼	10.31½-10.32½	¾-½ ore pm	0.73	1¼-⅝ pm	0.36
Japan	238¼-240	239-240	1¼-1⅛ y pm	5.95	3¼-3⅛ pm	5.32
Austria	20.77-20.86	20.77-20.80	9⅝-8⅛ gro pm	5.30	26¼-24¼ pm	4.91
Switzerland	2.45¼-2.47	2.45¼-2.46¼	1¼-1⅛ c pm	5.79	3½-3¼ pm	5.28

Belgian rate is for convertible francs. Financial franc 61.55-61.65. Six-month forward dollar 1.68-1.63 c pm. 12-month 2.95-2.80c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6075-1.6170	1.6095-1.6105	0.33-0.29c pm	2.31	0.9-0.88 pm	2.25
Ireland†	1.4560-1.4600	1.4560-1.4570	0.41-0.36c pm	3.17	1.18-1.08 pm	3.10
Canada	1.3255-1.3300	1.3265-1.3275	0.17-0.20c dis	−1.67	0.44-0.49 dis	−1.40
Netherlands	2.0660-2.0725	2.0715-2.0725	0.29-0.26c pm	1.60	0.90-0.85 pm	1.69
Belgium	38.03-38.20	38.10-38.20	3pm-par	0.47	7-2 pm	0.47
Denmark	6.94-6.96¼	6.96¼-6.96¼	1.00-1.70ore dis	−2.33	3.65-4.35 dis	−2.30
W. Germany	1.8320-1.8410	1.8395-1.8405	0.50-0.47pf pm	3.17	1.49-1.44pm	3.19
Portugal	143¼-143¼	143¼-143¼	70-110c dis	−7.52	260-310 dis	−7.94
Spain	126.93-127.25	127.15-127.25	80-130c dis	−9.91	225-300 dis	−8.26
Italy	1327-1333	1331¼-1332¼	3.00-4.00lire dis	−3.16	9.30-10.30dis	−2.95
Norway	6.71-6.72¼	6.71½-6.72	4.05-4.55ore dis	−7.68	12.10-12.60dis	−7.35
France	6.11-6.13	6.12½-6.13	0.57-0.72c dis	−1.26	1.90-2.20 dis	−1.34
Sweden	6.39¼-6.41½	6.40¼-6.41¼	0.75-1.05ore dis	−1.69	2.90-3.30 dis	−1.94
Japan	147.65-148.85	148.75-148.85	0.43-0.38y pm	3.27	1.18-1.11 pm	3.08
Austria	12.89-12.92¼	12.91½-12.92	3.30-2.90gro pm	2.88	9.50-8.50pm	2.79
Switzerland	1.5230-1.5310	1.5295-1.5305	0.47-0.42c pm	3.50	1.28-1.23 pm	3.29

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.20-38.30

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
116	6.21	6.59	0.09	0.57
118	4.37	5.28	0.25	1.26
120	3.03	4.10	0.55	2.08
122	1.51	3.05	1.39	3.03
124	0.62	2.19	2.50	4.17
126	0.33	1.50	4.21	5.38
128	0.15	1.07	6.03	7.05
130	0.08	0.47	7.60	8.45

Estimated volume total, Calls 722 Puts 353
Previous day's open int. Calls 26,099 Puts 17,094

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
82	11.07	10.20	0.01	0.10
84	9.09	8.30	0.03	0.20
86	7.15	6.48	0.09	0.38
88	5.29	5.14	0.23	1.04
90	3.51	3.56	0.45	1.46
92	2.21	2.49	1.15	2.39
94	1.14	1.57	2.08	3.47
96	0.37	1.15	3.31	5.05

Estimated volume total, Calls 257 Puts 18
Previous day's open int: Calls 1,563 Puts 606

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last July	Calls—Last Aug.	Puts—Last July	Puts—Last Aug.
22750	10.08	11.80	0.58	2.30
23000	8.01	10.05	1.02	3.05
23250	6.16	8.45	1.66	3.95
23500	4.57	7.02	2.57	5.02
23750	3.25	5.75	3.75	6.25
24000	2.21	4.65	5.21	7.65
24250	1.44	3.70	6.94	9.20
24500	0.89	2.91	8.89	10.91

Estimated volume total, Calls 7 Puts 9
Previous day's open int. Calls 171 Puts 76

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last July	Aug	Sept	Dec	Puts—Last July	Aug	Sept	Dec
1.45	—	—	16.05	16.505	—	—	0.23	0.44
1.50	11.05	11.05	11.05	11.05	0.00	0.02	0.19	1.16
1.55	6.05	6.05	6.24	7.09	0.00	0.25	0.97	2.54
1.60	1.30	2.20	3.00	4.30	0.32	1.57	2.63	4.75
1.65	0.13	0.45	1.05	2.30	4.15	4.82	5.68	7.75
1.70	0.00	0.05	0.28	1.13	9.02	9.42	9.91	11.58
1.75	0.00	0.00	0.05	0.50	14.02	14.37	14.68	15.95

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 661 Puts 1,800

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
1.45	—	—	12.70	12.90	—	—	1.50	2.70
1.50	12.40	12.40	12.40	12.80	0.20	0.25	0.50	1.00
1.55	7.40	7.40	7.50	8.20	0.25	0.50	0.85	2.00
1.60	2.40	3.40	3.50	4.60	0.50	1.55	2.25	3.75
1.65	0.25	1.20	1.40	2.80	3.25	4.15	4.90	6.60
1.70	0.20	0.40	0.65	1.50	8.10	8.85	8.90	10.30
1.75	0.20	0.35	0.50	1.20	14.30	14.80	15.30	16.50

Previous day's open int: Calls 2,029 Puts 278
Volume: 93

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
1.600	1.65	2.20	2.90	4.30	0.20	1.35	2.05	3.70
1.625	0.35	1.30	1.90	—	1.30	2.05	3.30	—
1.650	0.10	0.60	1.10	2.05	3.40	4.05	5.00	6.85
1.675	—	0.10	—	1.65	5.50	6.25	—	8.50
1.700	—	—	0.20	1.05	8.20	8.00	9.10	—
1.725	—	—	0.10	0.75	10.85	10.75	11.30	12.60
1.750	—	—	0.05	0.55	12.95	13.20	13.65	14.60

Previous day's open int: Calls 131,639 Puts 76,977
Previous day's volume: Calls 2,396 Puts 1,522

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Sept.	Dec.	Mar.	June	Puts—Last Sept.	Dec.	Mar.	June
91.25	1.62	1.39	1.28	—	0.00	0.06	0.18	—
91.50	1.37	1.17	1.09	—	0.00	0.09	0.24	—
91.75	1.13	0.96	0.91	—	0.01	0.13	0.31	—
92.00	0.89	0.77	0.74	—	0.02	0.19	0.39	—
92.25	0.66	0.59	0.59	—	0.04	0.26	0.49	—
92.50	0.45	0.44	0.46	—	0.08	0.36	0.61	—
92.75	0.28	0.32	0.35	—	0.16	0.49	0.75	—

Previous day's open int: Calls 1,813 Puts 1,922
Estimated volume, Calls 0 Puts 20

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	122-06	122-16	122-03	122-00
Dec.	122-01	—	—	121-27

Estimated volume 14,427 (25,305)
Previous day's open int. 30,433 (29,027)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
June	—	—	—	—

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Sept.	90.61	90.74	90.60	90.68
Dec.	90.63	90.76	90.64	90.66
Mar.	90.61	90.74	90.65	90.62
June	90.51	90.64	90.60	90.54
Sept.	90.44	90.42	90.40	90.45
Dec.	90.20	90.32	90.32	—

Estimated Volume 6,787 (7,072)
Previous day's open int. 15,089 (14,711)

FT-SE 100 INDEX
£25 per full index point

[illegible]

THREE-MONTH EURODOLLAR

[illegible]

U.S. TREASURY BONDS 8%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	92-18	92-19	91-17	91-19
Dec.	91-18	91-19	90-20	90-20
Mar.	90-21	90-21	89-25	89-23
June	89-25	89-25	89-10	88-28
Sept.	89-00	89-01	88-17	88-03
Dec.	88-09	88-10	87-31	87-12
Mar.	87-19	87-20	87-09	86-23
June	86-31	—	—	86-04
Sept.	86-13	—	—	85-19
Dec.	85-29	—	—	85-04
Mar.	85-15	—	—	84-22

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sept.	94.14	94.15	94.04	94.03
Dec.	93.88	93.89	93.82	93.78
Mar.	93.66	93.66	93.62	93.58
Jun.	93.45	93.46	93.43	93.39
Sep.	93.23	93.25	—	93.21
Dec.	92.98	—	—	92.97
Mar.	92.82	—	—	92.82

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Sep.	0.6608	0.6635	0.6605	0.6638
Dec.	0.6667	0.6693	0.6661	0.6698
Mar.	0.6730	0.6736	0.6720	0.6760
June	0.6792	—	—	0.6820

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
Sept.	0.6824	0.6845	0.6820	0.6857
Dec.	0.6876	0.6894	0.6871	0.6910
Mar.	0.6940	—	0.6960	0.6975
Jun.	0.7004	—	—	—

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
Sept.	0.5495	0.5506	0.5489	0.5510
Dec.	0.5541	0.5552	0.5536	0.5559
Mar.	0.5590	—	0.5590	0.5610

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sept.	92.79	92.80	92.71	92.67
Dec.	92.51	92.52	92.43	92.40
Mar.	92.27	92.29	92.21	92.18
June	92.05	92.06	92.01	91.98
Sept.	91.83	91.85	91.81	91.79
Dec.	91.60	91.66	91.61	91.60
Mar.	91.41	91.46	91.39	91.41
June	91.23	91.29	91.24	91.24

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Sept.	306.95	307.95	306.00	304.80
Dec.	309.30	310.15	308.40	307.15
Mar.	311.50	312.20	310.30	309.30
June	—	—	—	—

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev.
Sept.	1.6037	1.6049	1.6049	1.6090
Dec.	1.5955	—	—	1.6020
Mar.	1.5880	—	—	1.5980

Estimated volume 2(124)
Previous day's open int 727 (719)

MONEY MARKETS

Rates firm despite pound's recovery

IT WAS perhaps as well that the market had various sporting events, including its own golf tournament, to occupy dealers attention last week.

With the market very quiet there were the diversions of Wimbledon; the Henley Royal Regatta; and the test match against Pakistan to provide light relief.

Interest rates tended to rise early in the week as sterling suffered a period of nervousness, but failed to decline later as the pound recovered.

Firmer rates prevailed across the board, from overnight through to one-year, leaving dealers rather frustrated about the situation. This was at least partly caused by reassessment of the Government's funding requirement, following the heavy intervention by the Bank of England to prevent sterling rising, in the run up to last months' UK general election.

> **UK clearing bank base lending rate 9 per cent since May 8**

This selling of sterling by the authorities came to an abrupt end after the election, resulting in a surprising fall in June UK official reserves, and easing some of the pressure, on the gilt market, but the underlying nervousness continued.

On Friday three-month interbank was offered about ⅛ per cent higher than at the end of the previous week, at 9 9/16 per cent, while sterling finished little changed at $1.6100, and the exchange rate index rose to 72.5 from 72.2.

Union Discount suggested that base rate would not fall and the present trend could herald a rise, but Barclays Bank said the problem was short term, and not likely to lead to higher base rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 3) 3 months U.S. dollars		6 months U.S. dollars	
bid 7 1/16	offer 7	bid 7 3/16	offer 7 5/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

Correction for July 2, 3 months, bid 6⅞, offer 7, 6 months, bid 7⅛, offer 7¼.

BANK OF ENGLAND TREASURY BILL TENDER

	July 3	June 26		July 3	June 26
Bills on offer	£400m	£400m	Top accepted rate of discount	8.8442%	8.7640%
Total of applications	£1,635m	£1,498m	Average rate of discount	8.8242%	8.7617%
Total allocated	£400m	£400m	Average yield	9.02%	8.96%
Minimum accepted bid	£97.795	£97.815	Amount on offer at next tender	£400m	£400m
Allotment at minimum level	40%	77%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	July 3	change
LONDON		
Base rates	9	Unch'd
7 day interbank	9 3/16	+3/16
3-month interbank	9¼	+⅛
Treasury Bill Tender	8.8242	+0.0625
Band 1 Bills	8⅞	Unch'd
Band 2 Bills	8⅞	Unch'd
Band 3 Bills	8⅞	Unch'd
Band 4 Bills	8⅞	Unch'd
3 Mth. Treasury Bill	8⅞	+1/16
1 Mth. Bank Bills	8⅞	−1/16
3 Mth. Bank Bills	8⅞	+1/16
TOKYO		
One month Bills	3.53125	−0.0625
Three month Bills	3.65625	Unch'd
BRUSSELS		
One month	6⅝	+1/16
Three month	6 11/16	Unch'd
AMSTERDAM		
One month	5 3/16	−1/16
Three month	5¼	Unch'd

	July 3	change
NEW YORK		
Prime rates	8¼	Unch'd
Federal Funds	6⅝	Unch'd
3 Mth. Treasury Bills	5.83	−0.19
6 Mth. Treasury Bills	6.02	−0.38
3 Mth. C D	6.85	−0.15
FRANKFURT		
Lombard	5.0	Unch'd
One mth. Interbank	3.70	+0.05
Three month	3.70	+0.025
PARIS		
Intervention Rate	7½	−⅛
One mth. Interbank	7⅝	−½
Three month	7 13/16	−⅜
MILAN		
One month	10 13/16	−⅛
Three month	11 3/16	+3/16
DUBLIN		
One month	10 7/16	Unch'd
Three month	10 7/16	Unch'd

London—Band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4 pm)

Prime rate	8¼
Broker loan rate	8
Fed. funds	6⅝
Fed funds at intervention	6⅝

Treasury Bills and Bonds

One month	5.09	Three year	7.64
Two month	5.40	Four year	7.84
Three month	5.83	Five year	7.94
Six month	6.02	Seven year	8.15
One year	6.59	10 year	8.30
Two year	7.39	30 year	8.43

July 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.45-3.55	3.65-3.75	3.65-3.75	3.65-3.75	3.70-3.85	5.0
Paris	7⅝-7¾	7⅝-7¾	7⅞-7⅞	7⅞-8	8⅛-8¼	7½
Zurich	⅞-1⅛	3¼-3½	—	3½-3⅝	—	—
Amsterdam	5⅛-5¼	5⅛-5¼	—	5⅛-5¼	—	—
Tokyo	3.34375	3.53125	—	3.65625	—	—
Milan	10¾-11⅛	10½-11⅛	—	11-11⅛	—	—
Brussels	3.30	6⅝-6⅞	—	6⅝-6¾	—	—
Dublin	10¼-10½	10¼-10½	10¼-10½	10¼-10½	10⅛-10⅝	—

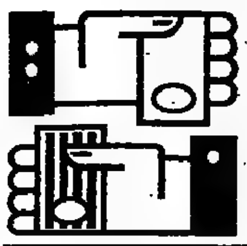
LONDON MONEY RATES

July 3	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9⅛-8	9½-9⅛	9⅛-9⅛	9⅜-9¼	9½-9⅝	9½-9⅞
Sterling CDs	—	—	9 3/16-9⅛	9½-9⅝	9⅝-9 5/16	9⅝-9⅝
Local Auth'rity Deps.	9	9¼	9⅛	9⅛	9⅛	9⅝
Local Authority Bonds	—	—	9⅛	9⅛	9⅛	9½
Discount Mkt Deps.	9-7	9⅛	8⅞	8⅞	—	—
Company Deposits	—	—	9⅛	9⅛	9⅛	9½
Finance House Deposits	—	—	9⅛	9⅛	9⅜	9½
Treasury Bills (Buy)	—	—	8 13/16	8⅞	—	—
Bank Bills (Buy)	—	—	8⅞	8⅞	8 13/16	—
Fine Trade Bills (Buy)	—	—	9½	9¼	9⅛	—
Dollar CDs	—	—	6.90-6.85	6.95-6.90	7.10-7.05	7.50-7.45
SDR Linked Deposits	—	—	6¼-6⅞	6¼-6	6⅛-6⅛	6⅝-6⅞
ECU Linked Deposits	—	—	6⅛-6⅛	6 11/16-6⅛	6 13/16-6 11/16	7⅛-7

Treasury Bills (sell); one-month 8⅞ per cent; three-months 8 13/16 per cent; Bank Bills (sell): one-month 8 13/16 per cent; three months 8 13/16 per cent; Treasury Bills; Average tender rate of discount 8.8242 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1987. Agreed rates for period July 26 to August 25, 1987, Scheme I: 10.47 p.c., Schemes II & III: 10.17 p.c. Reference rate for period May 30 to June 30, 1987, Scheme IV: 8.940 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9 per cent from July 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-12 months 9⅛ per cent; Under £100,000 8 per cent from July 2. Deposits withdrawn for cash 5 per cent.

FINANCIAL TIMES

SURVEY



Forecasts of bank profits while still high, are being downgraded in the light of the sluggish domestic economy and weak corporate demand. On the international front many German banks are raising their sights and tackling the inroads being made at home by sharper foreign competition, says **Haig Simonian**

Still plenty to smile about

Lutz Kleinhans, Frankfurt

Twin-towered Deutsche Bank sprouted a third tower in an April Fools Day picture in Frankfurter Algemeine Zeitung. The bank needed the extra space to meet its rapid growth in a year of record earnings, said the paper. Joking aside, West Germany's leading banks have indeed had a memorable year.

West Germany

BANKING FINANCE AND INVESTMENT

CONTENTS

IT HAS BEEN another good year for West Germany's banks. Almost all have reported record profits, and some, notably Deutsche Bank and Dresdner Bank, have increased their dividends or given their shareholders special bonuses to reflect their well-being.

The banks' success has stemmed from various factors. Interest rate margins on lending have sometimes shrunk, but remain acceptable. Some banks' interest income has actually increased thanks to higher business volumes.

Moreover, virtually every bank worth its salt made another mint in commission income last year. A surging domestic stock market meant both foreign and domestic investors were drawn to German equities, keeping the banks' commission tills ringing.

And with plenty of volatility in stock, bond and foreign exchange markets last year, many financial institutions managed to raise their earnings from own account trading.

German banks' annual reports may still be miracles of non-disclosure, but the big smiles on many chief executives' faces when it came to last year's own account profits often spoke louder than columns of seven- or even eight-figure digits.

Can it all last, the analysts ask? Probably not. Banks were at the top of their cycle last year, with the economy in good shape, the D-mark weaker against the dollar and the stock market booming.

The first six months of 1987 have told a different story. It is hardly a drama, but there is little doubt that banks' earnings will be down this year from between 10 per cent in some cases to appreciably more elsewhere.

Why the fall? Partly because of the sluggish state of the domestic economy and weak credit demand from the corporate sector. German domestic growth has been disappointing, and it remains to be seen whether the government's expansionary fiscal package announced earlier this year will provide the expected boost.

The slow pace of domestic economic growth, and the effects of the strong D-mark abroad, mean corporate demand for funds is down.

Many industrial groups are putting off new investment decisions, while others—notably successful corporations like Daimler-Benz and Siemens—are sitting on huge cash piles. A number of companies are now looking for advice on how best to invest their money rather than how to spend it.

And German equities have had a lacklustre year so far, while many other European bourses hit new highs. International portfolio managers can be surprisingly modish, and there is no denying German shares were distinctly out for most of 1987.

Many banks have already recognised that their bumper 1986 commission earnings will not be repeated, and have downgraded their profits forecasts accordingly.

However, one area where German bankers will be spared from copying any foreign fashions this year is Third World debt provisioning. Citibank's decision to bite the bullet and raise its Less Developed country lending provisions, triggering a chain reaction across the US, and more recently in the UK, will require no imitation in Germany.

No figures are publicly available, but most German banks have adopted an extremely conservative approach, provisioning up to 50 per cent of their Third World exposures. Whether such a high proportion figure also applies to their East European loans is less clear.

Extreme caution on the international lending front has not deterred leading German banks from spreading their wings abroad. Once constrained by the loss of overseas colonies and the breakdown of established trading relations after two world wars, the German banks have been expanding rapidly abroad in recent years.

The past nine months have provided ample evidence of that trend. Deutsche Bank's decision, finalised last December, to buy Banca d'America et d'Italia, Bank of America's Italian retail banking arm, headed last year's foreign expansion list.

Others are going the same way, though generally in the theoretically more lucrative area of investment rather than commercial banking.

BHF-Bank has decided to follow Deutsche Bank's example and set up a capital markets unit in London, concentrating on equity research and trading.

It may be that many other banks are thinking about going the same way now there is little sign of an imminent repeal of the Boersenumsatzsteuer—the stock exchange turnover tax—which has encouraged a very lively secondary market in German securities in London.

Further afield, both BHF and Bayerische Vereinsbank look set to receive their formal securities licences in Tokyo before the summer is out, completing the list of German banks wanting to do securities business in Japan.

Meanwhile Luxembourg, the first foreign destination for many West Geman bankers, is going through a reappraisal period. The continuing decline of the traditional syndicated Eurocredit loan business and the growth of new markets in securitised debt instruments in London has prompted many banks to rethink their operations in the Grand Duchy.

No one is talking about closing, but a number of banks have redefined their roles in Luxembourg.

Many German banks have raised their profiles abroad, but all have had to get to grips with the reality of greater foreign competition at home this year. While foreign commercial banks are still attracted by Germany's importance as an international trading nation, the real growth has come on the investment banking side.

The abolition of withholding tax in April 1985, followed by the introduction of new financial instruments, the expansion of the federal bond issuing consortium and the green light for foreign banks to lead manage D-mark Eurobonds have triggered a wave of new bank arrivals in Frankfurt.

None of the newcomers is complaining about what has been done so far, but almost all would like to see further changes.

Top of every list is the abolition of the Boersenumsatzsteuer, which was one of the Christian Democratic party's election pledges in January but has since fallen by the wayside in the wrangling in the governing coalition over other fiscal reforms.

The tax brings in a paltry DM 800m a year to the German exchequer, but bankers almost all say its damage to Finanzplatz Deutschland—Germany as a financial centre—is immeasurable.

Wholesale business in stocks and bonds is being pushed abroad, while the continuation of the tax may have made some foreign houses think twice about coming to Frankfurt in the first place. Others have almost certainly scaled down their plans for secondary market trading operation because of its survival.

Among the other changes investment bankers would like to see are a reduction in the Bundesbank's two week notification period before new DM Eurobond issues, which plays havoc with the currency swaps that drive many deals.

Moreover, there are still no satisfactory hedging instruments for DM securities while it remains against the law for dealers to go short in stocks or bonds.

The federal finance ministry and the Bundesbank offer only partial solutions. "The stock exchange turnover tax will go," says a senior finance ministry man, "but only as part of a wider, and still undetermined, tax measure."

"We are aware of bankers' problems with the notification period," adds a top Bundesbank man, who hints that a cut may be on the cards. Meanwhile, the chances of doing futures and options business have increased following an initiative by the Frankfurt stock exchange to look into a new market, although it is still a long way off.

However, even some existing reforms have come as a double-edged sword to certain German bankers. The changes have encouraged Frankfurt's development, but they have also shaken up the cosy world of investment banking and the securities business here as it was.

The market has certainly become more competitive with the arrival of international names like Credit Suisse First Boston, Salomon Brothers and Morgan Stanley. But the newcomers have rocked the boat in more mundane ways too.

Good staff—particularly securities people—have become extremely difficult to find. Banks are trawling ever further afield, while Frankfurt has had to get used to the idea of unprecedented personnel changes between institutions this year. Even good quality office space is very hard to find.

At least German bankers are losing little sleep over foreigners trying to pinch their small and medium-sized corporate clients, the so-called Mittelstand, often described as the

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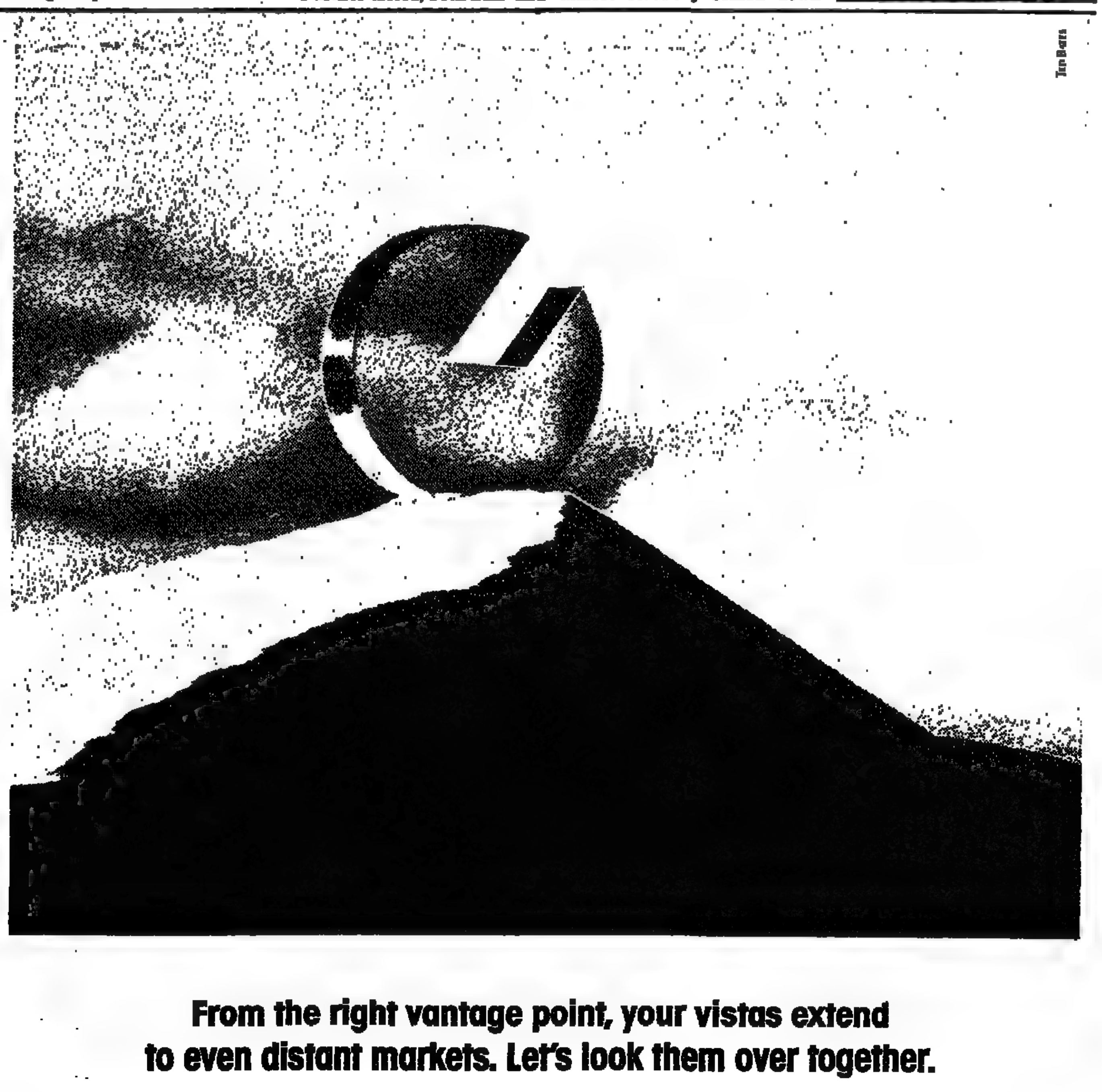
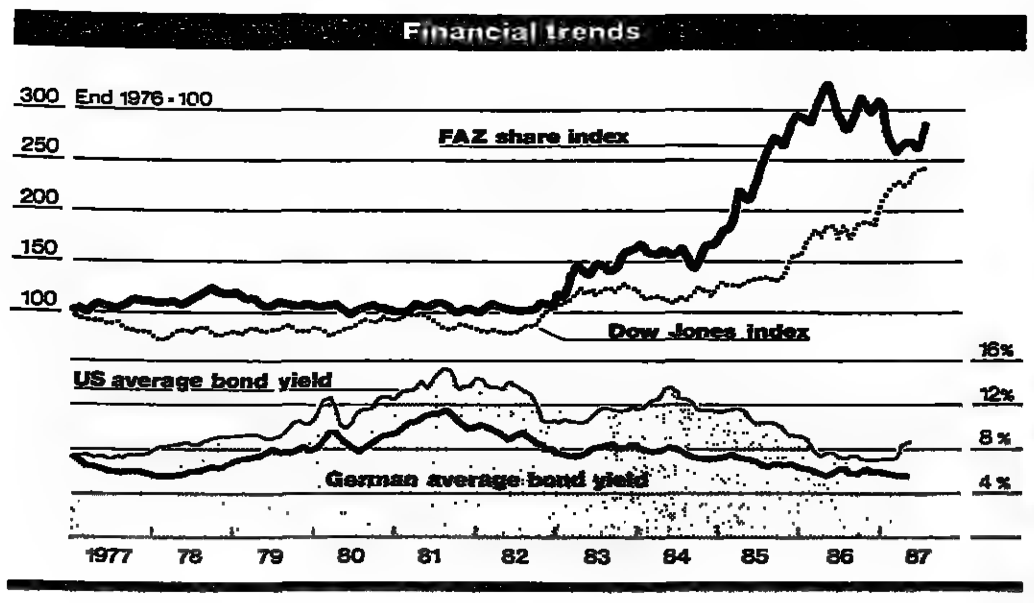




Although the country enjoys one of the world's most prosperous economies the big insurance groups and pension funds are not really equity-minded. Hence the attempts to make the markets more attractive.

Working towards greater international appeal

IN GERMANY, it is foreign investors who dominate the stock and bond markets. They accounted for at least half of all business last year and their presence carried share prices to new highs until a phase of inertia set in just over a year ago.

The share-buying mentality is far less well developed in Germany than, say, in the US or Britain. In a country with a turbulent recent history, where people are used to taking the long view, both forward and backwards, the security of fixed interest stocks has more attractions than the fluctations of shares.

True, the soaring prices of 1984 and 1985 drew a lot of investors to the market. But the main buying impulses still came from abroad.

Unlike Britain and the US, the big insurance groups and pension funds are not really equity-minded.

It is a curious state of affairs for a country with one of the world's most prosperous economies and which is trying hard to make its financial markets more attractive and efficient.

The mobilisation of domestic institutions would contribute to a further strengthening of the stock market, argues Mr Ruediger von Rosen, who runs the newly-formed Association of German Stock Exchanges.

His job is to boost the collective status of the eight German bourses, dominated by Frankfurt and Dusseldorf, by encouraging more co-operation, efficiency, and technical innovation. A former Bundesbank official, he has begun work fast.

"The requirement is to make the German Federal Republic into one of the three or four leading financial centres of the world," he said in a recent speech.

In Germany these days, there is a lot of talk about the status of Finanzplatz Deutschland (Germany as a financial centre). It is often laced with the slightly sheepish realisation that the character of its markets still has a strong provincial strain.

Mr von Rosen quoted a headline in Handelsblatt, the German business daily, which said: "Germany's Bourses are not provincial." While that was correct, he added: "Not being provincial is satisfactory, true, but not good." More needed to be done.

Leading bankers like Mr Wolfgang Roeller, chairman of Dresdner Bank, have often stressed that greater efforts were needed to raise the level of German securities markets.

With eight bourses—the others are Munich, Hamburg, Stuttgart, Berlin, Hanover, and Bremen—some degree of provincialism is inevitable.

West Germany is organised politically along decentralised lines, and the lack of a major capital city, unlike pre-war Berlin, means that business, political, and cultural activity is less concentrated than in many other nations. In economic terms, however, such decentralisation has proved no hindrance.

But structural questions apart, Germany still has some catching up to do. Share options and financial futures are lacking, a turnover tax remains, despite earlier Government promises to remove it, stock markets are only open two hours a day, and shares have a minimum face value of DM 50, which tends to keep their market price high and out of reach of small investors. On all these points, the association has pressed for reforms.

Still, change is in the air. Action to allow traded equity options is being pushed for by the Frankfurt bourse, which has commissioned a study to see how a new market could be set up. Options are not forbidden at present, but their use is highly restricted.

Since the equally conservative Swiss are going ahead with a new market, German financial experts feel the time has come for movement in the federal Republic as well.

It is not just a matter of pride. There is real concern that more business could flow to other European or US markets, if Germany lags behind. Also, without adequate hedging instruments, German stock markets are subject to sharper swings, as big foreign investors tend to take short-term positions.

Mostly, investors' attention is focused on the small number of well-known companies and banks, whose shares dominate dealings. About half of Frankfurt's turnover is in only 10 shares, and the wide array of new issues in recent years accounts for a mere 5 per cent.

In a bid to prompt more of Germany's myriad small companies to come to the market, a new financing platform has just been created. This is the Geregelte Markt (regulated market) in stocks and bonds, which started in May after a change in the law.

Companies entering this market will have to publish financial information only once a year, instead of twice on the main exchange, and will need a minimum of DM500,000 (+275,000) in own capital against DM 2.5m.

This market is the fourth for equities in Germany. There is also regulated and unregulated free trading, comprising unlisted securities markets under regional control.

Another legal change may encourge more companies to go public, since institutions like insurance concerns will no longer be restricted to investing in stocks with an official listing. Also, any suitable organisation, not just a bank, will be able to lead a flotation on the new market.

In its first four weeks, the Geregelte Markt had 40 shares and 1,390 bonds, of which just over half had switched from the regulated free trading market. They can do this at no cost until April 30, 1988, after which the two free trading markets will be combined.

In a cautious assessment, Westdeutsche Landesbank said: "It remains to be seen whether or not the creation of a second market will entice a notable number of companies to go public in Germany. Experience in other countries with comparable parallel markets has, in any case, been quite positive."

The speed with which the new secondary market was set up gratified Mr von Rosen. He reckoned it would strengthen some of the smaller bourses by encouraging local firms to go public.

Since many family firms built up in the post-war decades now face a change of generation, the new market should help solve problems of both ownership and financing.

The task of giving the German securities markets greater international appeal is a long-term one. It has been given considerable help by the Bundesbank, which in the past three years has eliminated coupon tax that foreigners paid on interest from domestic bonds, given the go-ahead to such previously shunned exotica as floating rate notes and zero coupon bonds, permitted foreign banks to lead D-mark Eurobond issues, and let them join the federal bond consortium.

Once Japan has allowed in more foreign investment banks, its own institutions will also be allowed to lead-manage new foreign D-mark bonds, a reciprocity issue that remains open. Like the Swiss and US banks, the Japanese are already in Germany in force to take advantage of the openeing up of the investment scene.

Andrew Fisher

The Frankfurt (top left) and Dusseldorf bourses are the biggest of the eight operating in West Germany

Still much to smile about

Continued from Page 1

economic backbone of the country.

Even attempts by well-established foreign banks to gain a foothold have often gone amiss. Some observers reckon many of the foreign banks with commercial banking networks in Germany will eventually retrench and concentrate more on investment banking. Every banker accepts that the German commercial market is already overbanked.

While the foreign threat in commercial banking may be limited, competition between German institutions is fierce and is growing. The country's huge savings bank movement is again mumbling—this time with more conviction—about the need for changes in order to become more competitive against the big commercial banks.

And not so far over the horizon is the prospect of big insurance money playing a role in the banking business. The decision by the Aachener and Muenchener, West Germany's fifth largest insurance group, to buy a controlling stake in Bank fuer Gemeinwirtschaft from Germany's trade union movement was derided at the outset.

With plans for co-operation and cross-marketing now beginning to take shape, the critics may in time have to reconsider.

Foreign banks activities

Rich pickings in investment and securities

MENTION FOREIGN banks to West German money-men in Frankfurt, and leading US and Swiss houses will probably spring to mind.

The Bundesbank's softly-softly reform of the country's capital markets has attracted a galaxy of the world's top investment banks to Germany, consolidating Frankfurt's position as the country's financial capital.

Frankfurt's role as a centre for foreign banks is not new. Hamburg, the country's largest port, still has a substantial banking community, made up largely of far-flung Asian and South American names and better-known international institutions specialising in trade finance. But Frankfurt has consolidated its role in recent years.

Leading US banks, like Citibank, Chase Manhattan and Morgan Guaranty, are among the longest established foreign houses in the city. And American Express Bank caters for the everyday banking needs of the very large number of US servicemen in West Germany.

However, the leading US banks have not always had things their own way. All have tended to focus on the many US multinational corporations operating in Germany, and most have also pitched for business from top domestic companies.

Breaking into West German corporate banking is easier said than done, however, as the market is mature and already overbanked, say many bankers.

Foreign banks have had to overcome the very close and often privileged links between German banks and corporations, which are sometimes cemented by the sizeable stakes in companies often held by West German banks.

More recently, they have also been hampered by the fact that many leading West German companies are hardly short of cash. Sluggish economic growth at home and the strength of the Deutsche Mark abroad have made many companies soft-pedal on new investment and turn their attention instead to how to invest their spare cash.

Foreign banks trying to get round these obstacles and find new areas of business have sometimes come unstuck. Citibank, which is by far the biggest foreign financial institution in Germany with around 580 staff, made a brief and ill-fated drive to break into "middle market" corporate business a couple of years ago. Its subsequent rapid departure is still cited with a touch of glee by some German bankers.

A few foreign banks have attempted to crack the German market by acquisition. Britain's Midland Bank owns the lion's share of Trinkaus & Burkhardt, based in Duesseldorf, while Lloyds Bank made what now seems a very astute decision to buy Schroeder, Muenchmeyer, Hengst.

At the other end of the scale, Citicorp owns Kunden Kredit Bank, a high street retail institution, while in February, Spain's Banco Santander bought CC Bank, a similar but smaller organisation, from Bank of America.

Foreign exchange is one area where foreign banks have been able to make a mark, largely because it has been poorly served by domestic rivals until the recent past. West German banks are becoming more competitive, but the foreigners—notably US institutions—still have a strong lead thanks to keen marketing and pricing. Most foreign banks now have sizeable forex trading operations in Frankfurt.

But it is investment banking that has worked the strongest spell over the past two years, as the German authorities have come up with a string of reforms.

Withholding tax on securities was dropped in April 1984; all but Japanese foreign houses got the green light to lead manage Deutsche Mark Eurobonds in May 1985; and in April 1986, the Federal Government bond underwriting consortium was widened to include a substantial foreign presence.

Well over 60 per cent of new federal bond issues now end up in foreign hands, and some put the figure as high as 80 per cent. Moreover, the West German stock market has, until this year, been through an unprecedented two-year boom, largely fuelled by investors from abroad.

Citibank headquarters in Frankfurt

Hence the attraction of the securities business and investment banking for new banks from abroad, while many of the existing foreign commercial banks have been beefing up their investment banking operations. Manufacturers Hanover has probably caused the biggest stir this year, by luring a number of senior securities staff from Citibank for its new investment banking operation.

Swiss banks were among the first. After buying the little-known Grundig Bank in Fuerth, Bavaria, in January 1985, Credit Suisse took a much bigger bite at the cherry when it was offered the Frankfurt-based Effectenbank-Warburg.

CSFB-Effectenbank, its new investment banking operation, formed on the lines of the extremely successful Credit Suisse-First Boston in London, has undoubtedly made the biggest splash among the new foreign investment banks in Frankfurt, capturing what many still think is a surprisingly large share of new issues business in Deutschmark Eurobonds.

However, the bank has come in for some criticism this year, with many dealers suggesting that it has lost steam. Some new issues have not lived up to earlier expectations, and there have recently been mutterings that all is not well in the boardroom.

Whatever the talk, CSFB-Effectenbank remains way ahead of its Swiss rivals. Union Bank of Switzerland bought back Deutsche Laenderbank, the German bank it had once sold to Dresdner Bank, in December 1985, and has since gone on to establish a solid, if undramatic, reputation in investment banking.

Swiss Bank Corporation has had the toughest job of the Swiss big three, having started from scratch. Nevertheless, it has attracted a number of senior professionals from major German houses, and now employs 200 people.

But it is the arrival of some top Wall Street names which has been this year's main talking point. Salomon Brothers officially opened at the start of February, though it has in fact been in Frankfurt since last summer. After some innovative bond repackagings and a high profile advisory role for Bertelsmann in its takeover of Doubleday last year, Salomon seems to have gone slightly off the boil. Nevertheless, trading remains busy, and its name is never ignored.

Meanwhile, Morgan Stanley, officially started business on June 1. The bank has adopted a rather low-key approach to begin with, and many in the market are expecting some deals.

Waiting in the wings is Merrill Lynch, which already has a substantial presence selling US equities to instutional and private investors. It is now applying for a banking licence.

Shearson Lehman Brothers says it has no immediate plans to come to Frankfurt. However, it has hired Mr Axel Hirschberg, previously with Merck, Finck, the German private bank, to fill an ambiguous role in London. The pattern is familiar from other Wall Street houses, and it could well be a German operation in the wings.

The US investment banks will have a hard time keeping the limelight when the Japanese houses finally start lead managing Deutsche Mark Eurobonds, a privilege the Bundesbank has withheld until all the West German banks applying for securities licences in Tokyo have been satisfied.

Japanese commercial banks in Germany have tended to make a beeline for the Duesseldorf region, where many Japanese companies are headquartered. Meanwhile, the investment banks and securities houses have headed for Frankfurt.

Industrial Bank of Japan (Deutschland) is the oldest, with a 25-year history in Germany. Less well known is the fact that 25 per cent of the operation is owned by Deutsche Bank—an anomaly that will be worth watching when IBJ starts lead managing Euro-DM bonds.

While Bank of Tokyo and the big four Japanese securities houses also have Frankfurt offices, they have until now been conspicuous by their absence, concentrating on secondary market trading, notably of paper for Japanese borrowers, where they are important market markers.

Though not yet on a par with London's Big Bang, the upshot of all these arrivals has been to put further pressure on Frankfurt's already scarce central office space, and—more important—to make good securities staff extremely hard to find.

They may be professing unconcern publicly, but the talk among senior bankers in many German bank boardrooms is of what to do to prevent top people from slipping away. At least the head hunters are happy.

Haig Simonian

Profile: Hans Tietmeyer

Enlightened orthodoxist

MR HANS TIETMEYER, state secretary at the West German Finance Mininstry, forms the conservative backbone in the economic policy-making body of the Bonn Government.

Mr Tietmeyer, aged 55, who has held the job since the change of government in October 1982, is very much the right hand man of Mr Gerhard Stoltenberg, the Finance Minister.

He plays a vital role in international policy coordination—for instance as the West German "sherpa" preparing (and sometimes defending) Bonn's position ahead of the annual economic summits—and also is the Finance Ministry's key civil servant responsible for areas like privatisation or development of the financial markets.

As an old hand on the Bonn scene—he was with the economics ministry for 20 years until his move when the Kohl administration came to power—Mr Tietmeyer has experienced at first hand the economic policy vicissitudes of the last quarter of a century.

His not surprising conclusion is that life these days is a great deal more complicated than in the 1960s, when counter-cyclical Keynesianism was not only in fashion but also appeared to work.

With the German economy slowing down, the threat of a further dollar slump still not dissipated, and doubts flowing thick and fast over whether Mr Stoltenberg's tax cutting plans of the next few years are financially and politically manageable, Mr Tietmeyer has no shortage of challenges on the horizon.

Mr Tietmeyer has a scholarly appearance and an eye for both wit and detail. With a tinge of self-parody, he calls himself "an enlightened orthodoxist". Like many top German civil servants, financiers or industrialists, he combines a distinct sense of history with a feeling that both he and his country have learned from it.

Being German, he refers to inflation as economy enemy number one. Both the 1923 and 1948 inflationary waves, he says, were caused by monetary financing of the budget deficit. The lesson has been learned with the Bundesbank's constitutional independence which allows it—as demonstrated most dramatically in 1981-82—to take a non-accommodative monetary line in the face of fiscal laxity.

Mr Tietmeyer has been a member of the Christian Democratic Union (CDU) since 1960—but stresses that his political sentiments did not interfere with his service at the Economic Ministry under ministers of different hues.

There is no doubt, however, that he feels happiest with Mr Stoltenberg. The two share an almost instinctive opposition to fiscal laxity and a distrust of unrestricted deregulation.

Mr Tietmeyer makes a careful distinction between the build-up of public sector deficits in the final years of the Schmidt government and the "controlled" increase in the deficit now foreseen between 1988 and 1990 as a result of Mr Stoltenberg's tax cutting plans.

All the same, he does not hide his disdain for unrestricted "supply-side" fiscal policies. Although he does not spell them out fully, his sympathies in the current debate over the tax package appear to be on the side of those who argue that deficit expansion in coming years could have destabilising consequences.

Mr Hans Tietmeyer, state secretary at the Ministry of Finance: Thatcherism unsuitable for West Germany

In comparison with policy-makers, say in the US, Mr Tietmeyer explains that he thinks through over a much longer time range "the chain of causality" resulting from fiscal and monetary decisions. This makes it much easier to see, for instance, that a cut in interest rates, far from leading to increased business confidence, could actually be counter-productive by adding to inflationary fears.

This is not only a matter of intellectual sophistication. It also reflects what Mr Tietmeyer refers to as "past trauma." This includes not only the two past periods of catastrophically unsound money but also the collective memory of the damaging consequences of West Germany's last attempt at counter-cyclical demand management in 1978.

West Germany's history (and geography, up against the East-West border) help explain, Mr Tietemeyer says, why the country could not be a testing ground for the sort of policies put into effect by Mrs Margaret Thatcher in the UK.

He admits that, in the Federal Republic's thirst for economic consensus politics, a sense of "spontaneity and pioneer spirit" may go missing. "Have we got the right balance? — I believe we have had too great a loss of flexibility," he says.

But he makes plain that the consensual system — demonstrated for instance in the collective approach to industrial problems through government, employers and the unions — serves the country best.

Thatcherism would not be suitable for West Germany, not only because of the federal political economic system but also because the social framework would not allow the kind of conflicts Mrs Thatcher has sparked off in the UK, he believes.

Mr Tietemeyer is very much on the same economic wavelength as Mr Helmut Schlesinger, the vice-governor of the Bundesbank, who said recently he believed a 2.5 per cent growth rate in coming years reflected an "upper limit" for West Germany.

Declaring that a return to 3 to 4 per cent growth rates of the 1960s would represent overheating, Mr Tietmeyer says, with typical precision, that (in view of the gradually declining population) he regards 3 per cent growth in output per head as a rough maximum.

Sporadically over the last year or so, Mr Tietmeyer was rumoured as a possible choice to move to the Bundesbank if ever a replacement had been needed for Mr Karl Otto Poehl, the governor.

In the event, there was never much doubt that Mr Poehl's mandate would be renewed this summer.

Mr Tietmeyer says that co-operation between the Bundesbank and the Finance Ministry has seldom worked so well. He says he argued all along for a continuation of the Poehl-Schlesinger tandem — and points out that the re-appointment of Mr Poehl, a member of the Social Democratic Party, is a good sign of how adherence to the principles of sound money in the Federal Republic is a matter above politics.

David Marsh

Savings and regional banks

Soul-searching debate on closer co-operation

SAVINGS BANKS in West Germany are hard to miss. Almost every town or village worth its salt sports one — often cheek by jowl with an arch rival from the co-operative banking movement — somewhere along its high street.

The country's 589 savings banks, and the regional Landesbanken which represents them at state level, play a vital part in oiling the wheels of day-to-day German finance.

Yet although they provide retail banking services for millions of private and small business customers, the savings banks can hardly be called the movers and the shakers of the German financial system.

Or at least that was the case until fairly recently. For the banks are now in the midst of a bout of self-analysis in the face of new demands from their customers and greater competition for savings from commercial banks, which until recently tended to devote relatively little attention to the local retail market.

The cynics say they have heard it all before, but many observers think the latest soul-searching may amount to something.

That something usually means rationalisation, and the provision of new services, notably in securities and investment management for private clients, and foreign activities for business customers.

The trend towards concentration among savings banks is nothing new: their numbers have been dwindling for years as relatively small banks have got together to concentrate resources and expertise, and to achieve economies of scale — especially in new technology.

But the present focus is less on small local mergers than on closer links between the Landesbanken themselves.

They come at the top of the savings banks' pyramid, taking responsibility for wholesale banking activities and areas like foreign exchange and trade finance where it makes sense to do business on a regional basis.

The competitive pressure to form larger units, combined with political changes in some state governments, are now two reasons behind the present debate about closer co-operation — or even mergers — between some small and medium-sized Landesbanken.

There is no denying the commercial pressure — both the savings and the Landesbanken have been losing market share in the past two years, partly because many are too small to offer the full range of services customers now want. The result has been for many clients to continue using the savings banks for their bread and butter business, but turning increasingly to the large commercial banks — or to up-market private houses — for more specialised services.

The proponents of rationalisation also say that larger Landesbanken could save money and improve efficiency, while achieving synergy by bringing some of the sleepier Landesbanken together.

Mergers would also streamline the banks' foreign representation. It is certainly hard to justify the logic, in both cost and business terms, of the present situation where ever more Landesbanken are opening independent offices in foreign centres like London and New York.

Developments in state politics have strengthened these calls for change. Politicians come into the picture as Germany's Landesbanken tend to be owned jointly by the savings banks and the governments of the states in which they operate.

Take the present talk about a possible merger between the Frankfurt-based Hessiche Landesbank (Helaba), and a variety of institutions including neighbouring Landesbank Rheinland-Pfalz in Mainz.

Such a combination was almost unthinkable until just a few monoths ago. But, with the Christian Democrats in power in most neighbouring states, rumours are already circulating as a result of the political swing from Socialist to Christian Democrat after Hesse's state elections in April.

The most enterprising redrawing of the future Landesbanken map features just four large groupings:

- One in the north around Norddeutsche Landesbank (Nord/LB), Germany's third largest Landesbank, and possibly including Landesbank Hamburg and Girozentrale Kiel, which are both still independent;
- Westdeutsche Landesbank (West/LB), in the west, which is already the largest Landesbanken at present and Germany's third biggest bank;
- A grouping in the south around Bayerische Landesbank, currently the second biggest Landesbank;
- Some as yet amorphous combine in the middle of Germany, which could include Helaba, Landesbank Rheinland-Pfalz, and—somewhat less likely—Deutsche Girozentrale (DGZ), the specialist wholesale bank traditionally associated with the savings bank movement.

This group could also take in Landesbank Stuttgart and the Badische Kommunale Landesbank, the two institutions representing savings banks in Baden-Wuerttemberg, although their names have also been associated with a larger grouping in south Germany around Bayerische Landesbank or as two-thirds of a trio to include Landesbank Rheinland-Pfalz.

Many top savings bankers agree that something must be done, even if they often stop short of talking about full-blown mergers in public. As matters stand, a working group has already been set up to consider possibilities.

Among its suggestions is the need for more efficient co-operation between local savings banks and the regional Landesbank. Savings banks must also offer a wider range of products at local level and learn to market them more effectively.

Implementation, however, is often easier said than done — especially for more controversial suggestions that some services should be rationalised and provided across state borders by which ever Landesbank is best able to offer them.

Take a recent idea by Mr Friedel Neuber, WestLB's chief executive, that his bank, with its extensive foreign branch network, might play a useful role in representing smaller counterparts abroad.

Very logical, it would seem. But the notion is not guaranteed a sympathetic response. "Who makes the profit?" asks one member of another Landesbank. "And what's to stop WestLB taking the pick of the business and leaving the rest for the others."

Such reactions occur frequently in a movement in which it is seldom easy to reconcile the ambitions of forward-looking banks with the more conservative tastes of smaller local counterparts.

Nevertheless, there have been some successful examples of rationalisation in the past.

Bayerische Landesbank was formed from a merger between two separate Bavarian savings institutions.

More strikingly, Nord/LB took over 75 per cent of the much smaller Bremer Landesbank three years ago, with the Bremen state government retaining the remaining quarter share. The deal made business sense, and showed that political differences could be overcome if the commercial reasons were strong enough. While Nord/LB is based in the Christian Democrat-governed state of Niedersachsen, Bremen is a long-standing Socialist stronghold.

Nevertheless, it is clear that nothing is going to change overnight. In the longer term, there are three possible avenues. The first is wholesale amalgamations between neighbouring Landesbanken, possibly starting with a merger between the two banks in Baden-Wuerttemberg itself.

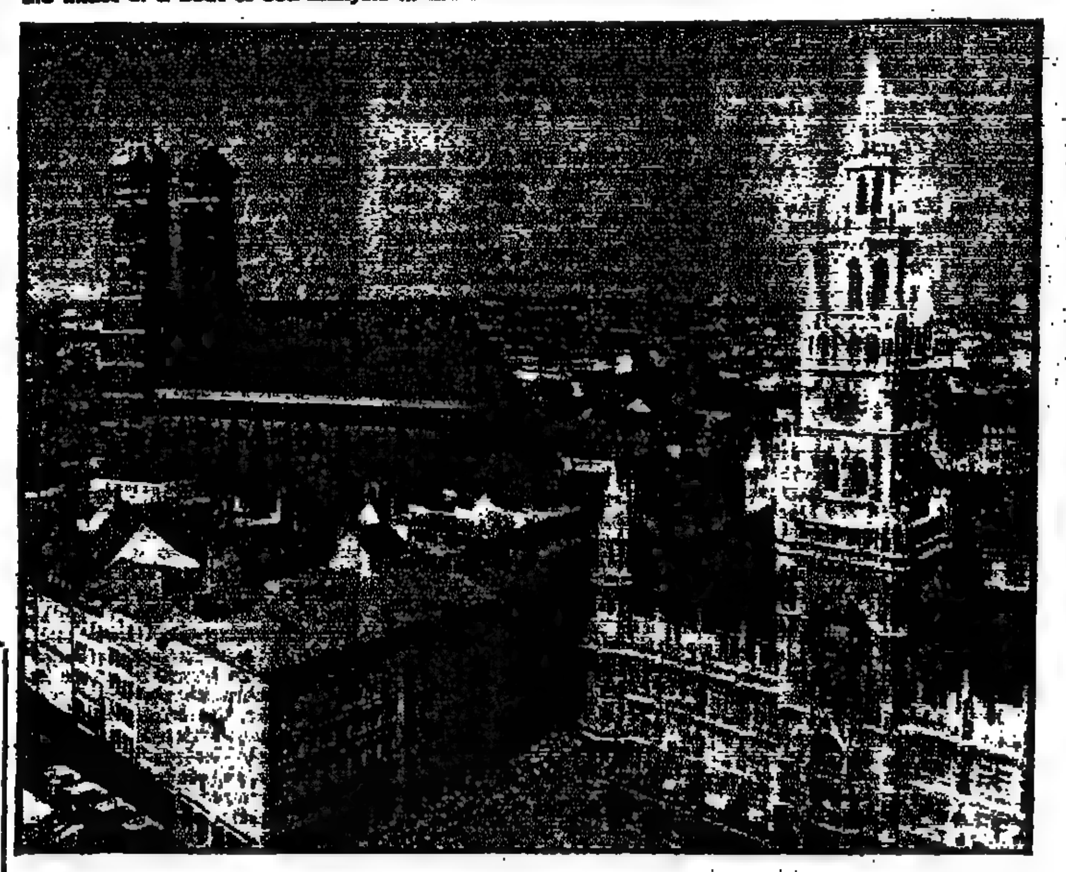
The second is more of the same as a result of local squabbling and conflicting interests. Some successful members of the movement, such as the DGZ, may even be questioning the overall logic of mergers on the grounds that a solution to the movement's problems goes beyond just size, and that well-functioning units should be left alone.

The third way, exemplified by Nord/LB and, to a lesser extent, WestLB, is to start with piecemeal co-operation in a variety of areas, like data processing, where there are clear business justifications, before jumping to full-scale mergers.

In an area as sensitive as Germany's savings bank movement, the softly, softly approach may have much to recommend it.

Haig Simonian

Cologne (above) and Munich (below) are strong regional centres for Landesbanken which are now in the midst of a bout of self-analysis in the face of new demands



Venture capital

Swashbucklers are proving hard to find

VENTURE CAPITAL in Germany is no longer quite the enigma that once left local bankers scratching their heads. While the small number of established practitioners have stayed afloat, new laws brought in by the Government in January this year are encouraging newcomers, notably among the big banks, to enter the business.

Nevertheless, German venture capital is still at a relatively early stage compared with other financial centres, and it remains marked by a strong conservatism, particularly as far as the banks are concerned. Some smaller groups have been more enterprising, but swashbuckling, risk-orientated venture capitalists remain conspicuous by their absence.

The early experience of WFG Deutsche Gesellschaft fuer Wagniskapital—the first German venture capital group off the mark in 1976—is an object lesson in the business's somewhat tortuous early development.

WFG, owned at the outset by a group 29 banks, was set up partly at the Government's instigation and with some public money, in response to the strong feeling—which to some extent remains—that German financiers had not in the past proved flexible and innovative enough to cater for the needs of new companies.

However, many of WFG's early ventures were unsuccessful, and the difficulties it experienced have left something of a stigma on the business, which has still not been entirely removed.

WFG's first fund still exists, and is now going through the last, disinvestment, phase in its cycle, according to Mr Karl-Heinz Fanselow, who took the reins in 1980. However, the company has been reorganised, and is now owned by a group of five leading banks.

Mr Fanselow is keener to draw attention to WFG's second fund, set in 1984. More than DM50m of its DM100m start-up capital has now been ploughed in, and there are plans to invest a further DM20–25m this year. Mr Fanselow expects four or five of the 43 companies now in WFG's two funds to be floated on the stock market this autumn.

However, the shape of German capitalism changed substantially on January 1 this year, when a new law came into force allowing banks to set up *Unternehmenssbeteiligungsgesellschaften* probably the least manageable word in the language.

The newcomers, usually abbreviated to UBGGs, are special entities, subject to some complex rules, currently being set up by many banks to take equity participations in unquoted companies.

The rationale has again been to try to stimulate the build-up of "own capital," rather than bank credit, in private companies and boost the stock market as a source of funds. As matters stand, equity makes up only about 18 per cent of the balance sheet of medium-sized German groups, and an average 25 per cent for large industrial corporations, against about 65 per cent in the US and even more in the UK.

Most of the big banks have now established UBGGs or are in the process of doing so. Apart from the profit motive and the push from Bonn, they have been attracted by the substantial tax breaks available.

Deutsche Bank is a neck ahead of the other banks in the field, as it already had a subsidiary investing in private companies. Some of its holdings have now been hived off into Deutsche Beteiligungs A G (DBAG), a UBGG which is 92.5 per cent owned by the bank, to take advantage of the new law.

DBAG has a DM60m capital base, with DM47m invested in 13 companies so far. The remaining DM13m is being kept in cash for the time being, though is likely to be used up by the end of this year, according to Mr Ralf Jakisch, one of its board members.

The requirement upon all UBGGs to float 40 per cent of their ordinary shares on the stock market within 10 years in order to retain their tax advantages, is undoubtedly influencing how they are investing. The two key criteria for Mr Jakisch and his counterparts in other banks are high profitability and extremely low risk.

It may be called venture capital, but it is clear that none of the banks getting into the business wants to be associated with a flop.

The pattern of investment at DBAG is similar to that planned by other UBGGs now being formed. Companies are introduced either through the parent bank's branch network or through a variety of third parties like auditors, consultants and tax advisors. Some private companies have also made independent approaches.

DBAG, which acts as a silent partner and restricts itself to maximum 49 per cent shareholdings, has taken stakes of between DM500,000 and DM10m in companies so far.

Commerzbank is having to set up its new UBGG from scratch. It is getting together with Hannover Finance, a subsidiary of the specialist insurance group for German industry in a venture in which both partners are investing DM 10m each.

Mr Dieter Firmenich, a director of the new company, hopes that, by committing between DM2m and 6m to individual private firms, the new venture will be able to build up to the requisite level for a stock market float within the next three to four years, depending on conditions on the bourse.

The UBGG law may have shifted the spotlight to German banks, but they are by no means alone in the venture capital business. A number of smaller groups, which have tended to focus on the slightly riskier end of the business, are also active.

Techno Venture Management, in Munich, is a well established name, with Siemens, the Matuschka financial group and US and UK venture capital specialists as its shareholders.

Munich is also home to the Portfolio Management (PM) group. It caused a stir a few years ago with a number of new stock market flotations. Not all prospered, and PM has subsequently shied away from new issues, though PM's Mr Bernd Ertl, a vociferous critic of the big banks' new issue monopoly, would like to get back in the business when circumstances allow.

Some foreign institutions are also testing the waters though most are still at an early stage. From the UK, London and Continental Bankers has recently set up a German joint venture with Candover, a British venture capital specialist, under a former Citibank man. Investors in Industry (3i) also has a Frankfurt office, while, J. Henry Schroder Wagg last year established a DM140m fund based in Hamburg to finance German management buyouts.

However, venture capital in Germany is no easy nut for outsiders to crack, partly because it is so new. Even Citibank, the largest overseas bank in Germany, and one of the oldest established in the business, has found the going tough.

Haig Simonian

Venture capital round the world (estimated)

	Total No. VC firms	Total VC pool ($m)
US	550	20,000
UK	110	4,500
Canada	44	1,000
Japan	70	850
France	45	750
Netherlands	40	650
West Germany	28	500
Sweden	31	325
Norway	35	185
Denmark	14	120
Ireland	10	100
Australia	11	50

Source: Venture Economics

Venture capital sources in West Germany

	%
Banks	44.9
Industry	36.7
Insurance companies	7.8
Private	4.8
State	4.3
Pension funds	1.4

Source: Wirtschafts Woche

The Bundesbank

A difficult balancing act

THE BUNDESBANK is the sentinel of West Germany's money. Its stern grey building is a forbidding sight on Frankfurt's northern outskirts, just off the motorway. Inside sit the policymakers, financial technicians, and officials, collectively charged with safeguarding the nation's currency.

This year, the central bank is 30 years old in its present form. It was founded as a successor to the Bank Deutscher Laender, set up in 1948 to co-ordinate the activities of the 11 Land (regional) banks.

Under the Bundesbank Act of 1957, its independence is clearly stated. While the bank is obliged to support the economic policy of whatever government is in power, this must not compromise the performance of its own duties. Thus it is detached from the Government in a way that some other central bankers can only envy.

Yet that is not as simple as it appears. Clearly, the Bonn cabinet must consult with the Bundesbank over economic and financial policy. And it does not expect its policies to be overturned by what it might see as unduly restrictive monetary action from Frankfurt.

So while the Bundesbank does not have to march hand in hand with the Government, it obviously has to take account of political realities. At present, Germany's central bank is in broad accord with the centre-right coalition of Chancellor Helmut Kohl. Neither the Bundesbank, whose president is Mr Karl Otto Poehl, nor the Government, notably in the person of Mr Gerhard Stoltenberg, the Finance Minister, want to indulge in economic pump-priming to satisfy foreign calls for more stimulation.

At present, though, the Bundesbank is in a dilemma. Because of the high inflows of foreign currency into Germany this and last year, money supply has been allowed to expand at faster than the targeted rate. This has occurred at a time when pressure on prices has been downward—lower oil and commodity prices, and the D-mark's strength have cut import costs sharply—rather than upward. Thus inflation has been kept at bay, with prices actually falling last year for the first time since the 1950s.

But experts inside and outside the Bundesbank are well aware that letting central bank money stock move ahead faster than the target level—the recent 8 per cent rate compares with a 3 to 6 per cent target band—gives inflation a greater chance of revival. Inevitably, it is starting to creep up again, as the effects of last year's cheaper imports wear off. As Mr Helmut Schlesinger, vice president of the Bundesbank, warned recently: "The 'incubation period' of inflationary processes is long, uncertainly long, and the size of the resulting price rises is also uncertain."

Reining back money supply too tightly, however, would lift interest rates, which would further brake an already lacklustre economy and also attract more money into the German currency. Thus Mr Schlesinger spoke of the "difficult balancing act" facing the Bundesbank. "A policy of over-plentiful money supply should not be continued without limit."

In view of its turbulent history this century and the personal and financial privations suffered by its citizens as Germany was waging war, or enduring an uneasy peace between wars, fears of inflation are not surprising. Combating inflation is fundamental to the existence of the Bundesbank.

Before the Bundesbank and its temporary post-war predecessor, the Reichsbank (established in 1876) was the German central bank. In 1923, the country experienced horrendous inflation which left deep financial, psychological, and political scars. The Weimar Government, from which high war reparations were being demanded, gave up trying to control the currency and check inflation.

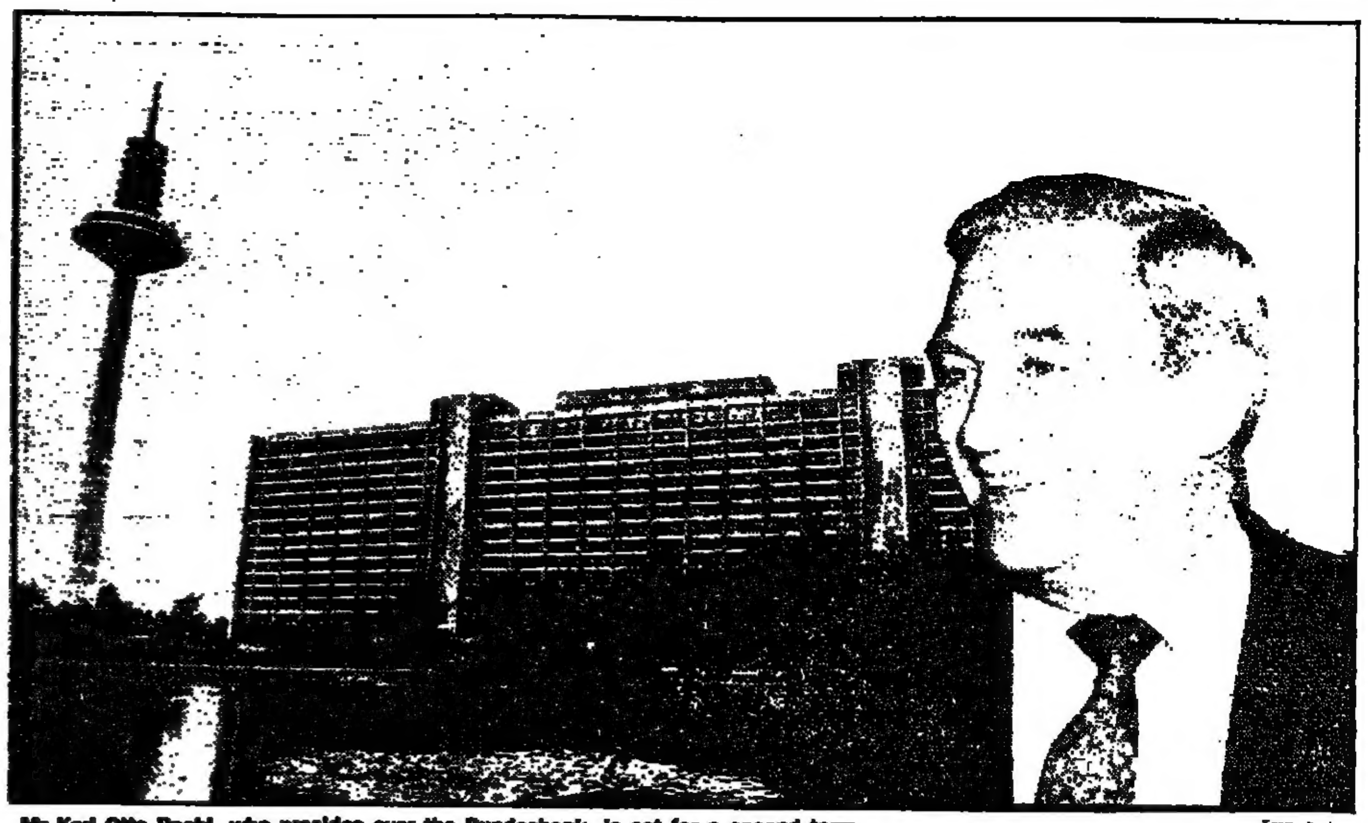
Thus, incredibly, the mark collapsed from 20,000 to the dollar in January 1923, to 630,000m in November, when action was taken to restore the currency and the worthless Reichsmark was replaced by the Rentenmark. Prices ended up doubling every hour and people had to stuff notes in wheelbarrows or prams for shopping trips.

Since the Reichsbank had no guarantee of independence, it was powerless to oppose the government and stop inflation. It won its independence in 1924, but only until Hitler snatched it away in the 1930s. After World War Two, the Reichsmark, which had been reinstated, was again worthless. The history of the post-war Bundesbank then began, with the Allies reforming the currency and setting up a central banking system.

Today, memories of 1923 are distant. But the fear of inflation remains deep-rooted. The present Bonn administration is firmly in favour of financial orthodoxy, committed to reducing deficits, avoiding excessive spending, and creating a freer climate for business.

Thus the Bundesbank is broadly in accord with the policies followed in Bonn. But it has not always been so in recent years. Mr Poehl and his predecessors have had their disputes with the Government. In Mr Poehl's case, this stemmed from the desire by Chancellor Helmut Schmidt in the early 1980s for a more relaxed Bundesbank stance on money supply and interest rates. But the Bundesbank held firm.

Mr Poehl, a 57-year-old former journalist and state secretary at the Finance Ministry in Bonn, is well practised in the art of treading a careful course between Bundesbank integrity and political reality, both domestically and on the ever-shifting international financial scene.



Mr Karl Otto Poehl, who presides over the Bundesbank, is set for a second term

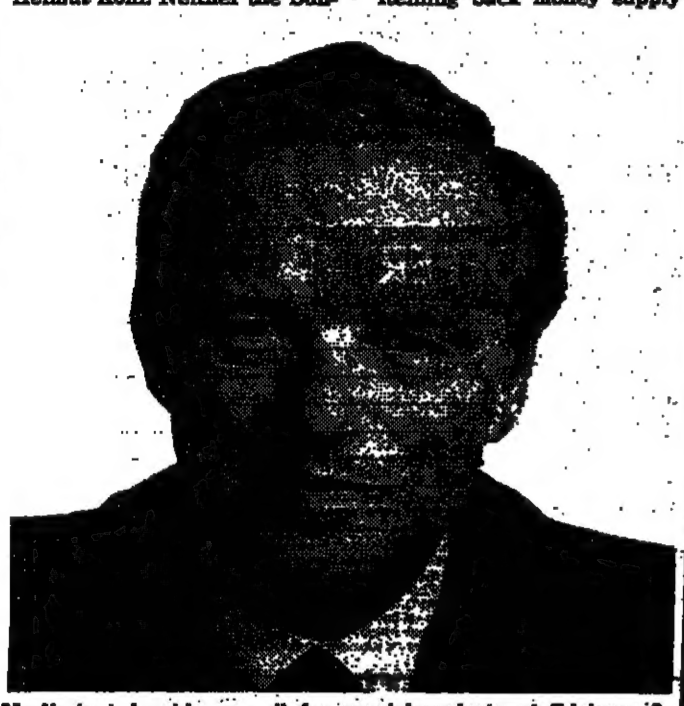
Terry Kirk

He is now set for a second term, which will give him a total of 16 years at the top of the central bank, more than any of his predecessors. Only one, Karl Blessing, has served longer than one eight-year term. Keen on golfing and skiing, Mr Poehl, a pragamatist with a good public relations sense, exudes an easy, mostly good humoured authority and is now one of the most experienced central bankers around.

Yet however well the president of the Bundesbank handles politicians, foreign banks, and economists, he still has his own organisation to deal with. The bank is a labyrinthine establishment and the president has only one vote on a policy-making council which includes the seven full-time Bundesbank directors and the 11 Laender bank heads.

So what Mr Poehl or any other president thinks is not automatically translated into action. The job involves a lot of persuasion. A member of the Social Democratic Party, now in opposition, Mr Poehl has had no difficulty working with the present right-inclined Government. And so far, he has also managed to fit in with the more conservatively — or domestically-oriented members of his own council.

Andrew Fisher



Mr Herbert Jacobi: on call for special projects at Trinkaus & Burkhardt

Profile: Herbert Jacobi

The builder in banking

TALL, BRONZED and immensely affable, Mr Herbert (Herb) Jacobi, senior managing partner at Trinkaus & Burkhardt in Duesseldorf, is every inch the urbane international banker.

Even the occasional sceptics who jibe that there is less to Mr Jacobi than meets the eye are usually dumbfounded when they meet him face to face. After years in banking, on both sides of the Atlantic, Mr Jacobi, aged 52, a native American who is half German, has good reason to be heard.

Trinkaus, majority-owned by Midland Bank of the UK, has thrived during the six years he has been at the helm.

To bring a greater sense of direction to the bank, which had had a somewhat traumatic decade after the merger in 1972 of Trinkaus Bank of Duesseldorf and Bankhaus Burkhardt of Essen, was Mr Jacobi's top priority when he took over in 1981.

The merger was followed by a period under Citibank, which bought 59 per cent of the bank; then Midland, which bought Citi out in 1980 and went on to purchase a further 20 per cent stake from Banque Indosuez of France.

In 1985, Trinkaus changed its legal status, and in October that year it floated almost 23 per cent of its equity as planned in a public issue, leaving Midland with 70 per cent of the shares.

"The strategy was to maintain Trinkaus's franchise as a German private bank," says Mr Jacobi, "and not to create the impression of a de facto branch of Midland."

However, when Midland took over, "Trinkaus was a bank with great traditions, customers and people, but with no direction and no specific objectives set. It was just a universal bank like all the others."

Analysis showed that four areas needed attention. Securities dealing, which had been "allowed to atrophy" during the Citibank era, when commercial lending was the name of the game, was gradually rebuilt.

And commercial banking business, which "had grown without direction," was smartened up, with new faces and "a concentration on a bouquet of products," including foreign exchange, international payments and documentary business and export finance. Meanwhile, new ideas like liquidity management and electronic banking were brought on stream.

Mr Jacobi is still largely responsible for portfolio management for private individuals—the third area for attention and another of the bank's old strengths.

"In 1983, we decided to double the amount of private business on our books in five years," he says. "We did it at the end of two and a half." Trinkaus now has about DM 15bn under it in funds custody, split roughly evenly between institutional and private clients. It wants to expand.

Last on the list was beefing up the new issues business, to become a lead manager of bond issues. It was hardly an overnight aim, but the arrival of Mr Christoph Niemann, previously head of new issues at BHF-Bank, has speeded things up.

Trinkaus has come a long way under Mr Jacobi, but he is realistic about what still needs to be done, both in-house and in German banking in general.

The local market "still has a long way to go before it can match the capabilities in corporate finance that many US banks, all the US investment banks and many London merchant banks have," he says. Merchant banking in Germany "is an area which has been neglected to a certain degree."

Mr Jacobi should know. After many years at Chase Manhattan, he moved in 1977 to BHF-Bank in Frankfurt—still sometimes called West Germany's only true merchant bank—as the junior of the five managing partners.

Why did he quit? BHF was "a great bank, with a fantastic tradition," he says. But joining a group of lifelong BHF men as an outsider may have constrained his freedom of action. "I prefer to build things," he says, "and BHF had already been built."

Going to Trinkaus has also ensnared him in wider responsibilities within the Midland Bank group, notably a seven-month stint as a director of Crocker National Bank in the US, and a spell as chairman of Midland Bank in France. "I have always been on call for whatever special projects come along," he says.

No such "special projects" are on the cards at the moment, and if Mr Jacobi in Dusseldorf misses the renowned jazz clubs, where he was sometimes to be found in his Frankfurt days, he doesn't let it show.

Haig Simonian

Macro-economics

Storm clouds on the horizon

THE PROBLEMS facing Mr Gerhard Stoltenberg, the West German Finance Minister, represent living proof of the way the negative effects on the world economy of last year's sharp decline in the dollar and in oil prices have generally outweighed the positive ones.

Although inflation in the Federal Republic has been more or less vanquished, economic growth this year is likely to be no more than 1.5 per cent, adding up to a significant slowdown after four years of steady, if unspectacular, recovery from the 1981-82 recession.

Domestic demand, which was heavily buoyed by the impetus given to consumers by last year's spectacular cheapening of imports, especially oil, is still holding up well and likely to rise by around 3 per cent this year.

But the business climate has been highly cautious since last autumn, with the latest IFO investment intentions report, for instance, revealing a marked slowdown in industry's capital spending plans.

Both the Government and the Bundesbank are still broadcasting confidence that the economic stagnation between October and March—extended by unusually severe winter weather which hit the construction sector particularly hard—has now been overcome.

External sector statistics

	Exports Value ($ bn)	Exports Volume (% change)	Imports Value ($ bn)	Imports Volume (% change)	Trade Balance ($ bn)	Current Account Balance Value ($bn)	Current Account Balance (as % of GDP)	Exchange Rate Currency to US dollar
1981	176	6.6	164	−5.0	17.0	−6.0	−0.8	2.26
1982	176	3.3	155	1.3	25.0	3.0	0.6	2.43
1983	169	−0.3	153	4.0	22.0	4.0	0.7	2.56
1984	172	9.2	153	5.2	19.0	6.0	1.1	2.85
1985	184	5.9	158	4.2	25.0	13.0	2.1	2.94
1986	242	1.4	191	6.3	57.0	36.0	4.0	2.17
1987*	285	0.0	230	4.0	55.0	35.0	3.1	1.80

* — Forecasts

Source: ABECOR

Domestic economy

	GDP (real)	Industrial Production	Consumer Prices	Unemployment Rate	3 Month Interest Rate
	% changes year on year			annual averages in %	
1981	0.0	−2.0	6.3	5.5	12.1
1982	−1.0	−3.2	5.3	7.5	8.9
1983	1.5	0.5	3.3	9.1	5.8
1984	3.0	3.4	2.4	9.1	6.0
1985	2.5	4.5	2.2	9.3	5.4
1986	2.4	2.2	−0.2	9.0	4.6
1987*	1.0-2.0	0.0	1.0	9.0	4.0

*Forecast

Source: ABECOR

Mr Gerhard Stoltenberg, Finance Minister: broadcasting confidence that the economic stagnation has now been overcome

One source of both expansionary impetus and also worries about future inflation is the well above-target increase of the money supply over the last 18 months.

But an economy in which exports make up one-third of gross national product is paying the inevitable tribute to the external fluctuations—above all, exchange rate adjustments—which only a year ago represented a reason for more optimism about the world growth outlook.

The economic forecasters miscalculated at the beginning of 1986, over prospects both internationally and for the West German economy.

A significant reason appears to have been a substantial under-estimate of the shock to export-dependent countries like West Germany of exchange rate-induced deterioration in competitiveness, together with the squeeze on Third World and Opec markets resulting from the oil price fall and aggravated debt crisis.

This goes a long way towards explaining why unemployment, still stuck at some way above 2m, seems, if anything, likely to edge up over the next year or so. West Germany will probably have to wait for the 1990s and the effects of its demographic decline to see any lasting drop in the jobless rate.

As a method both of improving the domestic growth outlook and of contributing to an amelioration of massive international payments imbalances, Mr Stoltenberg has been mandated by the centre-right coalition to push through a potentially ambitious tax cut package planned to come into effect in 1990.

The plan has run into criticism from abroad on the grounds that it represents too tardy an effort to give the economy a fiscal stimulus.

But, at home, the proposals have faced strong protests during the past few weeks from regional political barons within Chancellor Helmut Kohl's ruling Christian Democratic Union (CDU).

They say it will lead to irresponsible cuts in the revenues of the state (Land) governments—and pile up potentially destabilising budget deficits for the years ahead.

Mr Stoltenberg anyway faces a tough autumn of political infighting over unpopular plans to trim subsidies, needed to be cut to help finance the 1990 tax cuts.

There is a good deal of evidence, including the arguments marshalled by the Organisation for Economic Co-operation and Development (OECD) and the Bank for International Settlements (BIS), that the Federal Republic could well afford a period of gradually growing public sector deficits.

As the BIS pointed out last month (June), one of the reasons for the sort of budgetary consolidation over which Mr Stoltenberg has been presiding during the last four years was to give fiscal policy a sharper cutting edge when it was actually required.

However, unless it is checked, the tide of opposition to Mr Stoltenberg's package could spell the programme's political death-knell—and herald a larger threat.

Not only would an abandonment of the tax plans represent a considerable setback for efforts to put West Germany on the domestic demand-led growth path of around 2.5 per cent a year which is the minimum needed to bring down unemployment in the next few years.

Additionally, any flagging of West German expansion, implying persistence of a current account surplus at around the level of last year's record $36bn, could increase the likelihood of further unrest on the foreign exchange markets.

Stagnating export volumes and a sharp fall in export orders have been the result of the dollar's sharp 50 per cent depreciation against the D-Mark since February 1985.

But, with the EC representing the market for around half of West German sales abroad, exporters' margins have been protected by the relative stability of currencies within the European Monetary System (EMS).

Additionally, the Louvre currency agreement in February, which has led to a marked increase in central bank intervention to support the dollar, has maintained the currency steady at close to DM1.80—and provided the German authorities with some breathing space.

A further flare-up surrounding the dollar and the EMS must however be a possibility for later this year as the markets react to the likelihood of another huge West German current account surplus.

If a further dollar fall, as some commentators in the US have suggested, were to provide America with the necessary competitiveness gains to make a sizeable improvement in its current account deficit, then such an adjustment would certainly be welcome.

However, the real picture is more complicated. A fresh rise in the D-Mark might not only fail to produce the hoped-for corrections in either the US or German current accounts.

The celebrated J-curve effects (under which the trade balance of an appreciating currency country actually improves in nominal terms over the short run, and vice versa for the depreciating nation, because of the effect on import prices of currency changes) have after all already been in enough evidence during the past two years.

Additionally, as Mr Karl Otto Poehl at the Bundesbank has pointed out, a further exchange rate shock for German industry, given the country's export dependence, could spill over into disrupting domestically-generated growth as well, damaging the motor under which the Federal Republic up to now has been sucking in imports.

Following through this argument to its logical conclusion, the effect of exchange rate adjustment would then be totally counter-productive. Growth, exports and imports would be lower than they would otherwise have been—leaving the country's external surplus roughly unchanged.

Faced with the barrage of contradictory argument and evidence about West German economic policy, and the unmistakable storm clouds on the horizon, both Mr Kohl and Mr Stoltenberg in recent weeks have been sticking to their guns. They have firmly rejected both any short term stimulatory action and also any delay in the 1990 tax package.

What the Government has, however, not been saying is that its policy adds up in a sense to battening down the hatches and hoping, somehow, for fortuitous deliverance from the fresh external shocks which are all too plainly programmed for the next year or so.

David Marsh

Key figures of top four banks in 1986

(All figures on group basis —D-marks)

Bank	Total Assets	Partial Operating Profit	Interest Income	Commission Income	Dividend
Deutsche Bank	257bn	3.8bn	6.9bn	1.8bn	*12
Dresdner Bank	197bn	1.8bn	4.0bn	1.5bn	†10
Westdeutsche Landesbank	148bn	1.0bn	1.8bn	281m	4 per cent
Commerzbank	148bn	1.1bn	2.7bn	957m	9

*Plus special DM 5 bonus following Flick flotation
†Plus one for 18 scrip issue

Currency black market

Good times for funny money men

THE "BLACK MARKET" for non-convertible East European currencies in West Berlin is one of the odder Forex markets. Actually it is nothing shadier than a few brightly lighted exchange bureaux buying and selling everything from East German marks to Soviet roubles at bargain basement rates.

The currencies are bought at a depressed rate, mainly from East Europeans, and sold mainly to westerners. The unofficial rates reflect those prevailing in the capitals of Eastern Europe where "funny money" men in hotel lobbies and hallways offer local currency at several times the official rate.

Traditionally East European currencies were brought to the West sewed in coat linings or inside shoes and socks of East European visitors. Sometimes they were bundles of freshly printed bank notes thrown on to the counter of the exchange bureaux by emissaries of East European countries, the coffers of which are chronically bare of hard currency.

Taking East European currencies to the West is still illegal but much less tightly enforced in most of the countries than in the past.

The exchange bureaux specialising in eastern money—also traded in Vienna and Zurich—are conveniently located near West Berlin's main Zoo railway station. They strongly object to being associated with the black market, pointing out that their trade is entirely legal—in the West.

One of them in fact, the Deutsche Verkehrs-Kredit-Bank on the corner of Zoo station, is owned by the West German state railway, the Bundesbahn. East Germany used to regularly attack the "swindle rate" offered by the West Berlin exchange outlets but has voiced little objection to them in recent years.

While the official rates for East European currencies are more or less arbitrarily chosen by their governments, the unofficial rates are determined by supply and demand. Thus the D-mark bought more than five East German marks in West Berlin last month while the offical rate in East Berlin was one East German mark for one D-mark.

Earlier this year the mark plummeted in West Berlin to more than eight marks for one D-mark. The exchange bureaux, however, would offer no explanation for the abrupt fall other than to note that a relatively small amount of eastern currency offered for sale could sharply influence the exchange rate.

One bureau manager suggested that speculators might have entered the market. Another noted that even an anonymous phone caller inquiring about an exchange rate and offering to sell a considerable amount of eastern currency could have a strong impact on the rate.

Among the sellers of Soviet roubles are African students from Moscow who take back video recorders for re-sale in the Soviet Union.

East Germans selling their marks in the West are no longer mainly retired citizens seeking to improve their meagre pensions by taking orders from other East Germans for Western merchandise. Increasingly younger East Germans are being permitted to visit the West where they exchange their hard earned marks into D-marks.

The Eastern marks are largely bought by West Berliners and West Germans, who subsequently visit relatives and friends in East Germany where the cut-rate currency is invested in champagne and other small luxuries.

It is no coincidence that the five to one unofficial exchange rate for the eastern mark reflects the price of better made East German goods which in the West often sell at one-fifth of their price in East Germany. Thus, an East German camera selling for DM 400 in West Berlin costs nearly marks 2,000 in East Berlin.

Visiting Poles also frequently exchange zlotys into D-marks in West Berlin in order to purchase goods to take back home. The video recorders and personal computers are then resold in Poland at a hefty profit—in hard currency or zlotys. The Poles in fact are by far the most imaginative currency dealers in Eastern Europe.

A Yugoslav publication recently noted that most of the Poles who visit Yugoslavia come "solely to trade" and buy as much hard currency as possible. An invitation is required for Poles to travel to Yugoslavia where customs officials recently detained a Yugoslav citizen travelling to Poland with 2,000 blank invitations.

The Yugoslav authorities described how Poles travel around the Balkans for several months at a time, commuting between Istanbul, where they buy cheap goods, and Yugoslavia, where they sell them for convertible Yugoslav dinars. These they take back to Poland and convert them into Polish zlotys at a black market rate.

Warsaw Radio noted last month that in this way Polish tourists "effectively compete with our official foreign trade—even on third markets."

In Poland itself, the currency black market is located wherever someone needs hard currency. An official Polish consumer publication called Veto regularly publishes the going rate for dollar coupons used in hard currency shops, which in effect is the black market rate for the Polish zloty.

Although there are about 100 full time black market currency dealers in Warsaw—most of them pounding the pavements but some in hotels and restaurants—tens of thousands of ordinary Poles exchange zlotys into dollars. Some Warsaw taxi drivers refuse to drive foreigners except for dollars and waiters frequently ask Western hotel guests while presenting the bill whether the wish to exchange dollars into zlotys at the unofficial rate.

Only Hungary has managed to keep the official rate of its currency close to the black market rate, until now at least. The result is that "funny money" men are rare in Hungary.

Leslie Colitt

Links with industry

Strange mixture of a curse and a blessing

BANKS IN West Germany have strong links with industry, both directly and indirectly, but it is a fact of life that not everyone agrees with. Even the banks themselves often have second thoughts these days about the wisdom of being close to companies, especially when these land in trouble.

The country's top six commercial banks own chunks of industry worth some DM 17bn ($9.3bn). Heading the list is the mighty Deutsche Bank, with holdings worth nearly DM 12.5bn, according to a study produced by Citibank AG early this year.

Among its interests is a 28 per cent stake in Daimler-Benz, the motor group which has added electronics, aerospace, and engine activities in the past few years through acquisitions.

Next come Dresdner Bank and Commerzbank, with holdings worth just under DM 2bn (the calculations were made in February). BHF-Bank, more of a merchant bank in character, has almost DM 400m, while two Bavarian banks, Bayerische Hypotheken und Wechselbank and Bayerische Vereinsbank, have DM 440m and DM 24m respectively.

The ties between banks and companies have been looked at much more closely in recent years. New laws to loosen them have been suggested. Outside Germany, notably in the UK, there is much admiration for the way in which German banks support industry.

Within the country, however, the opposition Social Democrats (SPD) have called for curbs on the banks' power in industry, while the Free Democrats (FDP), the junior partner in the ruling coalition, have also suggested some form of limitation.

For their part, banks emphasise that industrial holdings can be a curse as well as a blessing. AEG, the big electrical and electronics company which ran into serious trouble in the 1970s, is a good example of the first. Five years ago, more than 20 banks took up around half of AEG's shares as part of a rescue package after it had made heavy losses. Today, the company is back in profit and controlled by Daimler.

Hapag-Lloyd, the shipping, avaiation and travel group, also gave the banks some headaches in the early 1980s. But now that it is earning money again and no longer in need of intensive financial care, Deutsche and Dresdner have been reducing their stakes by selling share packages to a variety of interested companies.

Apart from their direct shareholdings, banks exert an influence on companies in other important ways, too. Bank directors sit on the supervisory boards of German companies, along with labour representatives and other non-executives. Supervisory boards appoint senior management and approve big investment decisions.

Banks can also play another indirect role, when necessary. Investors who have bought shares through the banks, which are also the country's stockbrokers, deposit them at their bank branch and receive dividends through their accounts. So when companies hold annual meetings, it is the banks which do the voting on the small shareholders' behalf.

Normally, this causes no ripples. But the recent annual meeting of Volkswagen highlighted both the supervisory role and the voting rights aspect of the banks. The reason was the foreign exchange fraud which has cost VW up to DM 473m. Shareholders had to vote routinely on whether or not to approve the actions of the supervisory and management boards last year. So banks had to decide how to advise their clients.

Banks traditionally vote in favour of the management, but the decision was not so easy with a company which had been hit so hard by fraud. The question was whether the management had been negligent or not. In the event, an independent report, out ahead of the annual general meeting, cleared most of the management and the supervisory board of any responsibility.

But the banks had reserved judgment on what recommendation to make, before they knew of the report's contents. Deutsche Bank had opted for abstention, if the report did not clear the board, Commerzbank said shareholders should vote for the board, unless the report showed otherwise, and Dresdner said they should wait for the report and then decide.

Deutsche Bank was also involved in a slightly more awkward way. Not only is Mr F. Wilhelm Christians, its co-chairman, on VW's supervisory board. The bank also led a DM 2.1bn rights issue last year for German and international investors. It was thus none too happy that the currency debacle came to light only a few months later.

Although the banks were wagging a finger rather than waving a big stick at VW, their action was unusually open when the usual cosy state of relations between banks and industry is considered. Clearly, in view of the debate over the banks' role in industry, they felt obliged to be seen taking a definite stance over VW.

For banks have been on the defensive over this issue. After Daimler bought control of AEG, the Monopolies Commission said the deal "raises the question of whether current laws allow for sufficient control over large mergers." It recommended last year that banks should be allowed to hold stakes of more than 5 per cent in non-banking concerns.

The banks, as might be expected, jibbed at this. The German Banking Association has told the Economics Ministry in writing, though, that its members have been reducing their industrial holdings and that the commission's recommendation was thus misdirected.

According to the association, the number of stakes of more than 10 per cent held by the top ten banks in companies with nominal share capital above DM 1m had fallen from 129 to 86 in the past 10 years. Most of this fall had been in holdings which totalled over 25 per cent in the 1970s.

Backing up the Monopolies Commission's critical view, the Academic Advisory Council said the present systems raised the sticky question of conflicts of interest. The banks' status as lenders to companies in which they own shares, the council said, provided them with "a clear information advantage in the (stock) market."

This is certainly true. The question is how they use it. Insider trading is not a major issue on the German financial scene, and hardly any cases have emerged recently. But there have been calls to tighten up the self-regulatory system which the banks are keen to preserve in preference to legal sanctions. It is another example of the resentment felt by many observers, expert or not, at the power of the big banks.

Andrew Fisher

West Germany's 20 largest companies

(US$m)	Market Capitalisation‡	Percentage of Total	Price/Earnings Ratio*	Yield† %
Daimler-Benz (Automotive)	22,823	10.%	17.4	0.8%
Allianz (Insurance)	15,087	6.6	69.0	0.4
Siemens (Electrical, Electronics)	14,617	6.4	12.3	1.8
Deutsche Bank AG	12,807	5.5	18.9	1.4
Munchener Ruckversicherung (Reinsurance)	8,898	3.9	150.2	0.3
Bayer (Chemical Pharmaceutical)	8,251	3.6	8.2	3.1
BASF (Chemical, Oil and Gas)	7,388	3.2	7.9	3.2
Hoechst (Chemical, Pharmaceutical)	7,115	3.1	8.4	3.2
Volkswagen (Automotive)	6,925	3.0	9.1	1.6
Veba (Utilities, Chemicals)	6,029	2.6	13.4	3.0
Total (Ten Largest)	109,740	47.9		
RWE (Utility)	5,442	2.4	14.6	3.0
Dresdner Bank AG	5,288	2.3	13.8	2.4
Bayerische Hypo-Bank (Commercial and Mortgage Banking)	3,753	1.6	16.5	1.9
Commerzbank AG	3,302	1.4	14.7	2.3
BMW (Automotive)	3,170	1.4	6.9	2.1
Mannesmann (Steel, Machinery, Electronics)	3,114	1.4	12.9	3.4
Bayerische Vereinsbank (Commercial Banking)	3,004	1.3	15.7	2.0
Nixdorf Computer (Data Processing Equipment)	2,702	1.2	26.5	1.9
Thyssen (Steel)	2,548	1.1	10.6	2.8
Lufthansa (Airline)	2,139	1.0	18.5	1.8
Total (20 Largest)	144,182	63.0		

*Based on estimated 1985 earnings. †Net before withholding tax: excludes West German dividends-received credit. ‡As of April 25, 1986.
Source: Deutsche Gesellschaft fur Analageberatung mbH (DEGAB), an independent research affiliate of Deutsche Bank.

Activities abroad

Luxembourg operations face tougher climate

GERMAN BANKS' activities abroad have been changing in the past few years. Export finance and commercial banking for German and top multinational companies remain major business areas, but international investment banking has been growing steadily in importance.

Luxembourg was—and to some extent still is—German bankers' first foreign stopping-off point. Only two hours' drive from Frankfurt, the Grand Duchy offered an extremely convenient place to set up subsidiaries, whose principal rationale was to get round the Bundesbank's minimum reserve requirements on loans.

Those subsidiaries thrived in the heyday of the Eurocredit loan participation business, and every West German bank worth its salt, commercial, private and public sector alike, was represented in the Grand Duchy.

Most are still there today. But the continuing downturn in the international syndicated loan sector has led many to re-think their Luxembourg operations. Tracking loans and booking fresh-money contributions in rescheduling agreements still keeps many busy, but most Luxembourg subsidiaries are trying to find new areas of endeavour.

Dresdner Bank, Bayerischer Vereinsbank and, earlier this year, Deutsche Bank, have decided to take up some slack by using Luxembourg to develop their private client business, notably for wealthy Germans just across the border. Perhaps seeing the writing on the wall, the Luxembourg banking authorities have helped by creating a highly favourable regulatory climate to foster bank secrecy.

Luxembourg's investment banking loss has largely been London's gain. The rapid growth of a market for a variety of tradable Euro-currency debt instruments in the City has prompted many West German banks to step up their activities there.

Deutsche Bank set the pace in April 1985, when it created a full-scale capital markets subsidiary to issue and trade all but D-Mark-denominated Euro-instruments.

In April, BHF-Bank decided to follow. The bank is establishing a capital markets division specialising in West German equity research and trading, which should be up and running next month.

In the meantime, many other West German banks are expanding their London Eurobond trading operations by hiring more staff, or by shifting to larger premises.

One of the key questions they are probably asking is whether they should start to trade West German shares in the City. The London stock exchange has big ambitions as a world centre for international equities trading, and there is already a very lively secondary market for German shares in the square mile.

One incentive to go ahead is the fact that secondary market trading of securities in Germany itself continues to be handicapped by the *Boersenumsatzsteuer*—the stock exchange turnover tax. Its abolition has now been pushed aside by other fiscal priorities, although the Government says the idea is still on the table.

Another of London's attractions for some German banks is the London International Financial Futures Exchange (Liffe). Though many German banks remain very conservative when it comes to new instruments, some are now becoming more active in futures and options, partly in response to greater interest in hedging instruments among their customers.

Dresdner Bank, which has a strong reputation as a skilled trader of securities and treasury instruments, confirmed the trend in February when it bought a seat on Liffe.

Elsewhere, New York remains highly important as an investment banking centre for West German houses, but many bankers' attention has shifted, at least temporarily, to Tokyo. All the German banks seeking securities licences in Japan have now been given the green light, and the two most recent, Bayerische Vereinsbank and BHF, hope to have their operations running by the end of the year.

When it comes to commercial banking abroad, export finance and letter of credit business remain German banks' bread and butter. But Deutsche Bank, Dresdner and Commerzbank have all been building up their foreign exchange networks as part of the trend towards a more global market.

However it is only relatively recently that the banks' foreign branch networks have really come to reflect West Germany's strength as an international trading nation. Deutsche Bank now has 11 foreign branches and 15 representative offices, Dresdner has seven and 13 respectively, while Commerzbank has 10 branches and foreign subsidiaries and 14 representative offices.

However, the figures are deceptive in two cases. Both Dresdner Bank, and now Deutsche Bank, have wholly-owned foreign banking operations, both based in Hamburg, which concentrate on special areas of the globe.

Deutsche-Suedamerikanische Bank, the Dresdner subsidiary, has a long-established role in Latin America through a substantial local branch network.

Most recently, Deutsche Bank has announced it is to incorporate Deutsche Bank (Asia), formerly European Asia Bank, which used to be part of the EBIC banking partnership and has branches in 13 Far Eastern countries, from Pakistan to Korea.

Deutsche Bank finally gained full control at the end of April, when it bought out Creditanstalt-Bankverein of Austria, the only other shareholder in the former consortium bank, having raised its stake from 60 per cent to 75 per cent in May 1986.

The plan now is for Deutsche Bank (Asia) to become part of the Deutsche Bank network. Its name and Hamburg headquarters will, in time, disappear, while many functions will be devolved to a new regional office in Singapore or to group headquarters in Frankfurt.

But gaining control of Deutsche Bank (Asia) has been small beer compared with Deutsche Bank's purchase, finalised last December, of Banca America e d'Italia, the 98-branch Italian retail operation previously owned by Bank of America.

The deal cost Deutsche Bank $603m, and gives it the largest foreign-owned retail banking presence in Italy. Hardly pin money, but West Germany's wealthiest bank did not have to dig too deep into its pocket. Word is that expansion in France, and possibly in Spain, may now be on the cards.

Meanwhile, further international developments may also be likely among West Germany's Landesbanken, which are normally owned by local savings and communal associations and state governments. Westdeutsche Landesbank (WestLB), the largest, and the third biggest bank in Germany, has already made a determined push into international investment banking and may be thinking about going further.

Haig Simonian

Luxembourg: having to fight off the growing banking power of the City of London